

Submissions by members of the Transitional Committee

At the third meeting of the Transitional Committee (TC), the Co-Chair encouraged the members of the TC to provide, by 29 July 2011, their views and comments on issues raised at this meeting and those to be discussed at the next meeting.

As of 26 August 2011, the Secretary to the Transitional Committee received 10 additional submissions from members of the TC which are contained in this document and reproduced without formal editing.¹

Compilations of previous submissions received from members of the Transitional Committee have been uploaded on UNFCCC website (http://unfccc.int/cancun_agreements/green_climate_fund/items/5868.php), and additional submissions will be uploaded as they are received.

¹ These submissions have been electronically imported in order to make them available on electronic systems, including the World Wide Web. The Technical Support Unit has made every effort to ensure the correct reproduction of the texts as submitted.

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**CHAPTER I: SUBMISSIONS BY MEMBERS OF THE TRANSITIONAL COMMITTEE
ON DIFFERENT WORKSTREAMS**

I. Submission by Mr. Paul Oquist (Nicaragua)

Introduction

Regarding the Draft Instrument for the Green Climate Fund tabled by members from a majority of developing countries of the Transitional Committee, including Nicaragua, during the Second Meeting of the Committee in Tokyo in July, 2011, we consider this instrument to be an excellent opportunity to focus the work of the Committee within a results based approach and thus be able to fulfil the Transitional Committee's Terms of Reference, adopted in the 16th COP meeting in Cancun, on December, 2010.

The Terms of Reference of the Transitional Committee envisage in paragraph 1 that the the Transitional Committee shall develop and recommend to the Conference of the Parties for its approval at its Seventeenth Session operational documents that address, inter alia: (a) The legal and institutional arrangements for the establishment and operationalisation of the Green Climate Fund; (b) The rules of procedure of the Green Climate Fund Board, and other governance issues related to the Board; etc.

Nicaragua considers that to work immediately on the draft submitted will enable a genuine participatory drafting process open to the body of a whole of the Transitional Committee, and not only to a few members together with the Secretariat.

The worst-case scenario would be for the Co-Chairs to present a document produced by others at the last moment on a "take it or leave it basis" that would introduce into the Transitional Committee process the modus operandi of COP-15 in Copenhagen and COP-16 in Cancun.

The Draft Instrument and Rules of Procedures of the Green Climate Fund proposed by developing countries have been formulated based on, and taking into consideration, the positive and negative lessons learnt from Funds and Institutions related not only to climate change and environmental protection such as The Adaptation Fund, the Multilateral Fund for the Montreal Protocol, the Global Environment Facility and the Climate Investment Funds, but also those related to other issues such as the Global Fund for HIV/AIDS, Tuberculosis and Malaria. They also took into account the most relevant comments and submissions of other Members and civil society organizations.

Nicaragua requests that the following recommendations organized into the four Workstreams, as per the Co-Chairs workplan, be introduced as proposed modifications into the Draft Instrument prior to the September Geneva Meeting. This will allow a discussion of them in Geneva and subsequently the consideration of an advanced Draft in Cape Town in October.

DRAFT INSTRUMENT FOR THE ESTABLISHMENT OF THE GREEN CLIMATE FUND

I. BASIC PROVISIONS

Article 1. Basis

The Green Climate Fund is established and designated as an operating entity of the financial mechanism of the Convention under Article 11, and that is accountable to and functions under the guidance of the Conference of the Parties, with the objective to support projects, programmes, policies and other activities in developing country Parties.

Article 1. Basis (bis)

The study of the Fund, as agreed by COP 16 in Cancun, is an operating entity of the financial mechanism of the Convention, and is based on the fact that the Convention obliges developed country Parties to provide financial resources to help developing countries in different areas related to climate change, the moral and legal responsibility to meet these commitments lies with the parties, rather than their private sector or in civil society

organizations.

This does not prevent the developed country Parties to adopt national measures such as tax breaks, tax breaks or other incentives to encourage the contribution and assistance of the private sector and civil society organizations to meet their commitments. However, the responsibility of the Parties can not be transferred by any provision of the instrument of the Fund to their own private sectors, let alone the private sector in developing countries.

Article 2. Legal Status

2.1 The Fund, as a body under international law, shall be endowed with a juridical personality. Consequently, the Fund shall enjoy such legal capacity as is necessary for the exercise of its functions and the protection of its interests, in particular the capacity to enter into contracts, to acquire and dispose of movable and immovable property and to institute legal proceedings in defense of its interests.

2.2 The Fund shall avail itself of such *privileges and immunities* in the territory of the host country, pursuant to the 1946 United Nations Convention on Privileges and Immunities, as are necessary for the fulfillment of its purposes.

2.3 The officials of the Fund Secretariat shall similarly enjoy such privileges and immunities as are necessary for the independent exercise of their official duties.

Article 3. Objectives

3.1 The Fund will contribute to the full, effective and sustained implementation of the UN Framework Convention on Climate Change, in relation to implementation of commitments for the provision of financial resources to developing country Parties, as mandated under relevant provisions of the Convention, including Articles 4.3, 4.4, 4.5, 4.8 and 4.9 and in accordance with Article 11 of the convention.

3.2 The Fund will 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 providing adequate financial resources to developing countries for their climate-related policy measures, activities and actions, and achieving a balanced allocation between adaptation and mitigation

3.3 The Fund will contribute to the goal of achieving coherence in the global financial architecture for the financing for climate-related activities, under the authority and governance of the Conference of Parties.

Article 4. Principles

4.1 The following are among the principles that will guide the Fund:

4.1 (bis) of the Convention) All Parties, taking into account their common but differentiated responsibilities and the specific character of their national and regional development priorities, objectives and circumstances, shall:

(a) The Fund will maintain consistency with the policies, programme priorities, and eligibility criteria adopted by the decisions of the COP and all “activities (including those related to funding) relevant to climate change undertaken outside the framework of the financial mechanism” consistent with Decision 11/CP.1;

(b) The Fund shall operate under the principles of equity and common but differentiated responsibilities;

(c) The Fund will operate under the authority and guidance, and be fully accountable, to the Conference of Parties;

(d) The Board of the Fund will have an equitable and geographically balanced representation of all Parties

within a transparent and efficient system of governance (Article 11.2 of the Convention);

(e) The Fund will enable direct access to funding by the recipient countries;

(f) The Fund will be country-driven and demand-driven, with recipient countries being involved during the stages of identification, definition and implementation, and responding to the needs and circumstances of the developing countries. The Fund will recognize, promote and strengthen the significance of engagement at the country level, in order to give effect to the principles of a country-driven approach, and direct access to funding.

(g). The Fund will enable a holistic programmatic approach to funding, aimed at, inter alia, at specific projects or activities, but at programmes encompassing a wide range of activities.

(h) The Fund will make optimal and appropriate use of the full range of means of implementation available and to allow for large scale of implementation; and

(i) The Fund would facilitate linkages between the various funding sources and separate funds in order to promote access to the variety of available funding sources and reduce fragmentation.

4.3 of the Convention) The developed country Parties and other developed Parties included in Annex II shall provide new and additional financial resources to meet the agreed full costs carried out by all developing countries Parties to meet their obligations under paragraph 1 of Article 12. They also provide financial resources, including resources for technology transfer that the developing countries Parties need to meet all the agreed incremental costs resulting from implementation of the measures imposed by paragraph 1 of this article and that were agreed among a developing country Party and the international entity or entities referred in international Article 11 under this article. By implementing these commitments the need for the fund stream is adequate and predictable, and the importance of an appropriate burden sharing among developed country Parties shall be taken into account.

4.4 of the Convention) The developed country Parties and other developed Parties included in Annex II shall also assist the developing countries Parties particularly vulnerable to the adverse effects of climate change to address costs meeting adaptation to those adverse effects.

4.5 of the Convention) Parties that are developing countries and other developed Parties included in Annex II, shall take all practicable steps to promote, facilitate and finance, as appropriate, the transfer of technologies and environmentally sound practical knowledge, or access to them, to other Parties, particularly developing country Parties, so that they may apply the provisions of the Convention. In this process, the developed country Parties shall support the development and enhancement of endogenous capacities and technologies for developing countries Parties. Other Parties and organizations that are able to do so may also assist in facilitating the transfer of such technologies.

4.8 of the Convention) To implement the commitments under this Article; the Parties shall give full consideration to what actions are necessary under the Convention, including actions related to funding, insurance and technology transfer to meet the specific needs and concerns of developing countries Parties arising from the adverse effects of climate change or the impact of implementin response measures, especially in the following countries:

a) Small island countries.

b) Countries with low coastal areas.

c) Countries with arid and semiarid areas, forested areas and areas liable to forest decay;

d) Countries with areas prone to natural disasters.

e) Countries with areas liable to drought and desertification.

- f) Countries with areas of high urban atmospheric pollution.
- g) Countries with areas with fragile ecosystems, including mountainous ecosystems.
- h) Countries whose economies depend heavily on revenues generated from the production, processing and export of fossil fuels and associated energy-intensive products, or their consumption.
- i) Land-locked countries and transit countries.

In addition, the Conference of the Parties may take appropriate measures in connection with this paragraph.

Of the Convention) The Parties shall take fully into account the specific needs and special situations of least developed countries in adopting measures regarding financing and technology transfer.

II: GOVERNING, ADMINISTRATIVE AND ADVISORY BODIES

Article 5: The Board

Accountability to the COP

5.1 The Fund shall be governed by a Board, which shall supervise and manage the Fund, under the authority and guidance of the Conference of the Parties and shall be fully accountable to the Conference of the Parties, which shall decide on its overall policies in line with relevant decisions;

The Fund is accountable and operates under the authority and guidance of the Conference of the Parties, to ensure full transparency, accountability, its multilateral character and participation of all parties in decision-making about Fund strategy.

5.2 The arrangements to be concluded with the Fund include the modalities listed in Article 11.3 of the Convention.

5.3 In implementing the principle of accountability to the Conference of Parties, the Board shall submit reports to the Conference of Parties for its consideration and deliberation, on various operational matters including:

- a) Strategic priorities, policies and guidelines and procedures;
- b) The status of the Fund, in terms of contributions and disbursements, including on shortfalls/surplus of resources; and its assets and liabilities, as well as an estimate of additional resources leveraged by the Fund, including through private sector engagement;
- c) The Fund's annual operational budget;
- d) The approved projects and activities including, inter alia, funded projects, projects approved for funding pending availability of resources, projects that received conditional approval as well as the total amount of resources committed or to be committed for the approved projects and other eligible activities;
- e) The Fund's triennial business plan and the Fund's annual work programme/business plan; including projections for resource allocation to the agreed thematic windows, demonstrating a balance between adaptation and mitigation activities; and
- f) Any other matters that may be required by the Conference of the Parties.

5.4 The Conference of the Parties shall consider the annual reports referred in Article 5.3 above, and take appropriate actions as may be required. The Conference of the Parties shall consider and deliberate on

them and make decisions on adoption, revisions or otherwise, and to provide further directions, instructions and recommendations.

Functions

The Board is the principal organ of the Parties to the Convention to regulate, supervise, monitor and manage the Fund; it will, as provided in the Draft Instrument presented by the majority of developing country Members of the Transitional Committee; have the majority and various powers and functions of the Fund and be fully accountable to the Conference of the Parties to decide on its policies in general.

5.5 The functions of the Board shall include the following:

- (a) To administer the Fund in accordance with the policies, programme priorities and eligibility criteria related to the Convention as decided by the Conference of the Parties;
- (b) To develop specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, and to report to the Conference of the Parties;
- (c) To decide on projects, including the allocation of funds, in line with the Fund's principles, criteria, modalities, policies and programmes;
- (d) To ensure that funded projects are in conformity with the policies, programme priorities and eligibility criteria established by the Conference of the Parties (Article 11.3(a) of the Convention);
- (e) To ensure that funding decisions may be reconsidered in light of the policies, programme priorities and eligibility criteria established by the Conference of Parties (Article 11.3(b) of the Convention);
- (f) To oversee the operation of the fund in light of its purposes, scope and objectives and periodically reviewing and approving the operating modalities of the fund;
- (g) To develop draft legal and administrative arrangements for secretariat services and the interim trustee for approval by the Conference of the Parties;
- (h) To nominate the head of the Secretariat for approval by the Conference of the Parties for a term of office of (2) (3) years, which may be reviewed following the same procedure;
- (i) To approve the budget of the Secretariat;
- (j) To develop criteria, based on principles and modalities, to ensure that any implementing and executing entities that may be appointed have the capacity to implement the administrative and financial management guidelines of the Fund, and report on it to the Conference of the Parties;
- (k) To enter into agreements/arrangements with implementing/executing entities accredited by it;
- (l) To establish committees, panels and working groups, if required, drawing on the thematic bodies under the Convention to provide, inter alia, expert advice, to assist the Board in the performance of its functions;
- (m) To oversee the operation of the Fund in the light of its purposes, scope and objectives and periodically reviewing and approving the operating modalities of the Fund;
- (n) To monitor and review implementation of the operations of the Fund, including its administrative arrangements and the expenditure incurred under the Fund, and make recommendations, as may be appropriate, for the consideration of the Conference of the Parties;
- (o) To regularly review performance reports on implementation and ensure independent evaluation and auditing of activities supported by the Fund;
- (p) To review and approve the work programme of the fund and monitoring and evaluating progress in achieving it;

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- (q) To decide on funding instruments to be used by the Fund;
- (r) To provide information to the Conference of the Parties relevant to determining the amount of funding necessary and available for the implementation of the Convention (Article 11.3(d) of the Convention);
- (s) To provide support to the periodic review of the amount of funding necessary and available for the implementation of the Convention (Article 11.3(d) of the Convention);
- (t) To establish additional thematic windows and with sub-windows as may be required;
- (u) To provide recommendations on a balanced allocation of funding across thematic areas under the financial mechanism;
- (v) To provide reports to each session of the Conference of Parties on its funding operations (Article 11.3(c) of the Convention) consistent with the requirement of accountability;
- (w) To review and approve the administrative budget of the fund and arranging for performance reviews and audits;
- (x) To appoint and keep under regular review all Fund officers;
- (y) To conduct its meetings in accordance with the rules of procedure approved by the Conference of the Parties;
- (z) To develop working/coordination arrangements with other relevant bodies of the Convention (Standing Committee, Adaptation Executive Committee, Technology Executive Committee, etc) under the guidance of the Conference of the Parties;
- (aa) To liaise with Adaptation Fund Board on matters related to funding of adaptation projects and programmes
- (ab) To provide recommendations on means to enhance consistency of activities undertaken outside the framework of the financial mechanism with the policies, programme priorities and eligibility criteria established by the Conference of Parties (decision 11/CP.1) of by the Conference of Parties;
- (ac) Any other function that may be assigned to it by the Conference of Parties

Composition

5.6 The Board shall have 24 members. The Board will comprise 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 (decision 1/CP.16, Paragraph 103).

5.7 Each Board member shall have an alternate member; and alternate members shall be 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.

5.8 Members, including alternate members, of the Board with the appropriate technical, adaptation and/or policy expertise shall be identified by their respective governments; nominated by the relevant groups as indicated in Articles 5.6 above and approved by the Conference of the Parties. Vacancies shall be filled in the same manner.

5.9 Members and alternate members shall serve for a term of two years and shall be eligible to serve a maximum of two consecutive terms,

Chair and Vice Chair

5.10 The Board members will select the Chair and Vice-Chair, each for a period of one year, with one

being a member from a developed country Party and the other being from a developing country Party. The office of Chair and Vice-Chair shall alternate annually between a member from a developed country Party and a member from a developing country Party.

Decision-making

5.11 Decisions of the Board shall be taken by consensus. If all efforts at reaching a consensus have been exhausted, and no agreement has been reached, decisions shall be taken by a two-thirds majority of the Parties present and voting, representing a majority of each group (developed and developing countries).

Rules of Procedure

5.12 The Board shall conduct its business in accordance with the Rules of Procedure provided in Annex (X) to this document subject to a decision on the Rules of Procedure by the Conference of the Parties.

Article 6. Secretariat

6.1 An independent Secretariat shall be established to support the operation of the Fund.

The Secretariat of this new international fund will perform only administrative and support functions for the Board. The Head of the Secretariat must be approved by the Conference of the Parties.

The Fund Secretariat will be staffed by professionals with experience in management, administration, finance, development, climate change and other relevant areas, but this should not avoid compliance with the UN principle of equitable geographical distribution of staff.

The breach of this principle could have a negative impact on the operation of the Fund due to a poor understanding of the socio-economic conditions of developing countries, the dynamics of development processes, climate change and environmental issues and integration of climate change / environmental concerns into economic and social plans and structures in the context of sustainable development and poverty eradication in developing countries. This sensitivity is essential for a significant portion of senior management and other staff of the Secretariat of Green Climate Fund.

6.2 The office of the Head of the Secretariat shall be filled by a senior person with an understanding of the needs and challenges of developing countries and extensive experience related to development challenges, environment issues, finance and international affairs. The Board shall recruit the Head of the Secretariat, on accordance with a job description developed by it and approved by the Conference the Parties. The Conference the Parties shall decide on the nomination of the Board of the Head of the Secretariat. The Head of the Secretariat will be accountable to the Board.

6.3 The Secretariat should be staffed with professionals with expertise in management, administration, finance, development, climate change and other relevant fields. Among the skills needed by at least a significant part of the senior management and other staff are in-depth knowledge and experience of the socio-economic conditions of developing countries; the dynamics of the developmental processes, climate change and environmental issues, and integration of climate change/environmental concerns into economic and social plans and structures, within the context of sustainable development and poverty eradication. The professional staff and Head of the Secretariat shall be civil servants and their recruitment and subsequent appointments shall follow established United Nations rules.

6.4 The Fund Secretariat operating under the Head of the Secretariat shall assist the Board in the discharge of its functions.

6.5 The functions of the independent Secretariat may include, inter alia:

(a) Responding to enquiries about the Fund and be the liaison with Parties, cooperating implementing agencies and other bilateral and multilateral institutions;

(b) Developing the triennial and annual business plan of activities and associated budgets for the Fund;

(c) Developing a system for disbursement of funds to the national implementing entities or, where

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applicable, to implementing agencies, [and liaise with the interim trustee for this purpose]

- (d) Monitoring and evaluating expenditures incurred under the Fund for review by the Board
- (e) Assessing and, where appropriate, offering recommendations to the Board regarding country programmes and work programmes developed by the recipient countries on their national adaptation and mitigation strategies;
- (f) Maintaining and circulating periodically a current inventory of projects [including with the aim to avoid duplication of effort between the implementing agencies and other institutions];
- (g) Preparing for the Board an annual assessment of bilateral and other contributions to the Fund comply with criteria (to be determined by the Parties/ the Board) for consideration as part of the contributions to the Fund;
- (h) Preparing performance reports on the implementation of activities under the Fund, for review by the Board.
- (i) Monitoring the activities of the national implementing entities and, if applicable, the implementing agencies based on their oral and written reports;
- (j) Encouraging the relevant Parties to make prompt payment of their contributions towards the Fund;
- (k) Providing other administrative and support functions for the Board.
- (l) Submitting annual activity reports and annual accounts to the Board for its approval, and to the Conference of Parties for their adoption.
- (m) Making arrangements for meetings of the Board, including the issue of invitations, preparation of documents, and reports of meetings; and
- (n) Performing all other functions that the Board may require.

Article 7. Expert and technical panels

The Board may establish expert and technical panels, including for relevant thematic bodies established under the Convention to support its work and to provide inputs for the Fund's activities.

Article 8. Stakeholders input and participation

8.1 Consultative forums may also be set up by the Board with the objective of engaging, communicating and consulting with stakeholders.

8.2 The panels will be open to representatives of civil society organizations, environment and development NGOs, trade unions, farmers' organizations and community-based organizations, bilateral and multilateral development cooperation agencies, technical and research agencies, the private sector and its organizations, as well as to governments. Such representation should ensure balance among geographic regions and among developed and developing countries.

Article 9. Trustee

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

The internationally accepted Trustee and financial management standards should be applied to the executing agencies to ensure financial transparency and accountability.

To avoid any actual, potential or apparent conflict of interest of the Fund Secretariat staff, no member of

staff will have been associated with the Fund Trustee during the last 5 years before starting his work with the Fund.

9.2 The trustee shall administer the assets of the Fund only for the purpose of, and in accordance with, the relevant decisions of the Fund Board; the trustee shall 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; and the trustee shall establish and maintain separate records and accounts to identify the assets of the Fund

The Fund Trustee, as proposed in the draft instrument by most developing countries, shall have simply treasury and fiduciary functions and administrative functions related to them, and not any political role and / or decision-making in relation with the Green Climate Fund, to avoid potential real and apparent conflicts of interest. The trustee will also be responsible to the Board of the Fund to carry out fiduciary responsibilities that were entrusted.

The appointment of a permanent trustee for the Fund should be through a bidding open, transparent, equitable, responsive and competitive process; to choose the best available institution as trustee. This is based on the consistency of the proposed offer with the obligation of the Green Climate Fund, the services offered, the money management strategy and use the funds arising there from, and the total and detailed cost for the above; with the selection continuing technical considerations, procedures and criteria established by the Board and adopted by the Conference of the Parties. The selection process must be completed before the expiry of the 3-year term of the Interim Trustee.

9.3 The trustee shall be accountable to the Fund Board for the performance of its fiduciary responsibilities;

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

9.5 The Interim Trustee shall have a legally binding agreement with the Board stipulating its responsibilities and the modalities regarding relevant activities of the Interim Trustee including, *inter alia*:

- a) Reporting on receipt of contributions including, cash payment, promissory notes held;
- b) Investment of unallocated resources, interest and returns accrued on the funds invested;
- c) Disbursements approved by the Board for projects, programmes and other relevant activities,
- d) Annual audits of accounts
- e) All other treasury functions assigned by the Board; and
- f) Report on the mobilization of resources and disbursements by the interim trustee for other activities having a bearing on the activities of the Fund.

9.6 Procedures and criteria for appointing a permanent trustee for the Fund, through an open, transparent, equitable, accountable and competitive bidding process; shall be developed by the Board for consideration of and adoption by the Conference of Parties, in order to ensure the start of open bidding process eighteen months before the expiry of term of the interim trustee and the appointment of the permanent trustee.

Article 10 Relation between the Fund and other bodies and entities

The Fund shall operate in the context of appropriate arrangements between itself and other existing funds in the Convention and in the Kyoto Protocol; and between itself and other funds, entities and channels of climate financing that are being undertaken outside the framework of the financial mechanism. The Fund will be guided by proposals in this regard by the Board; the Standing Committee and other thematic

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bodies under the Convention, in accordance with guidance by the Conference of Parties.

Article 11 Country driven approach

11.1 The Fund shall adopt an approach that is driven by recipient countries to support them to more effectively implement climate policies, measures, actions and activities. Consequently, the Fund shall allocate resources in the most appropriate forms and for the most appropriate uses that are suitable for the recipient countries. The Fund shall tailor its strategy and approach to the needs and circumstances of each country; therefore, a country driven approach is required, with the full participation of the countries concerned.

11.2 The Fund will encourage and enable comprehensive capacity development including: the development of institutions in developing countries, such as the development of focal points and coordinating mechanisms (including the National Implementation Agencies) at the national level for the receiving, use and accounting of funds allocated and distributed by the Fund. The country driven approach would have the functions of planning activities, estimating financial requirements for implementing the climate activities; the preparation of application for international climate financing, the establishment of the system of receiving and allocating international climate financing, including through the Fund, and the establishment of a system for accountability of the receipt and use of the funds and the system of managing the funds.

III. SCOPE AND SCALE, THEMES AND WINDOWS OF FUND**Article 12. Scope and mandate**

12.1 The scope and the thematic areas of the Fund is shall be based on the mandate established in the Convention, as well as relevant decisions of the Conference of the Parties, including decision 1/CP.13 and decision 1/CP.16 and any future decision relating to the Fund. Details of relevant provisions are set out in Annex I.

12.2 The Fund, as an operating entity of the financial mechanism of the Convention, shall address the following thematic areas:

- a) Adaptation activities;

Arto 4.1b of the Convention) Formulating, implementing, publishing and regularly updating national and, where appropriate, regional programs containing measures to mitigate climate change, taking into account the anthropogenic emissions by sources and removals by sinks of all greenhouse gases not controlled by the Protocol of Montreal, and measures to facilitate adequate adaptation to climate change;

- b) Mitigation activities;

Arto 4.1b of the Convention) Formulating, implementing, publishing and regularly updating national and, where appropriate, regional programs containing measures to mitigate climate change, taking into account the anthropogenic emissions by sources and removals by sinks all greenhouse gases not controlled by the Protocol of Montreal, and measures to facilitate adequate adaptation to climate change;

- b) Technology development and transfer;

4.1 c of the Convention) Promote and cooperate in the development, implementation and diffusion, including transfer, of technologies, practices and processes that control, reduce or prevent anthropogenic emissions of greenhouse gases not controlled by the Protocol of Montreal in all relevant sectors, including energy, transport, industry, agriculture, forestry and waste management;

- d) Capacity building of and institutional development in developing countries; and
e) Information and processes taken to implement the Convention.

12.3 The Conference of the Parties and the Board can designate sub-themes linked to the above.

12.4 The scope of the thematic issues, derived from the Convention's finance-related commitments, shall include:

(a) For Adaptation:

- The provision of agreed full incremental costs for preparing for adaptation to the impacts of climate change;
- The provision of full incremental costs in developing appropriate plans for coastal zones, water and agriculture and protection and rehabilitation of areas affected by drought, desertification and floods;

4.1e of the Convention) Cooperate in preparing for adaptation to the impacts of climate change; develop and elaborate appropriate and integrated plans for coastal zone management, water resources and agriculture, and for the protection and rehabilitation of areas, particularly in Africa, affected by drought and desertification, as well as floods;

- The provision of agreed full incremental costs for formulating and implementing national and regional programmes containing measures to facilitate adequate adaptation; and
- Financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation those adverse effects.

(b) For Mitigation:

- The provision of agreed full incremental costs for formulating and implementing national and regional programmes containing measures to mitigate climate change by addressing emissions by sources and removals by sinks of all greenhouse gases; and
- The provision of agreed full incremental costs for the conservation and enhancement of sinks and reservoirs of greenhouse gases including biomass, forests, and as well as other terrestrial, coastal and marine ecosystems.

4.1d of the Convention) Promote sustainable management and promote and cooperate in the conservation and enhancement, as appropriate, of sinks and reservoirs of all greenhouse gases not controlled by the Protocol of Montreal, including biomass, forests and oceans as well as other terrestrial, coastal and marine ecosystems;

4.1f of the Convention) To take into account as far as possible, climate change considerations into their relevant social, economic and environmental policies and measures and employ appropriate methods, for example impact assessments, formulated and determined at national level, so as to minimizing adverse effects on the economy, public health and environmental quality; projects or measures undertaken by the Parties to mitigate climate change or adapt to it;

(c) For technology development and transfer:

- The provision of agreed full incremental costs for the development, application and diffusion including transfer of technologies, practices and processes that control reduce or prevent anthropogenic emissions of greenhouse gases in all relevant sectors (including energy, transportation, industry, agriculture, forestry and waste management);
- Financial resources to promote, facilitate and finance as appropriate the transfer of or access to of environmentally sound technologies and know-how to developing countries; and
- Financial resources to support the development and enhancement of developing countries' endogenous technologies and capacities;

(d) For information and processes taken by Parties in order to implement the Convention:

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- Provision of agreed full costs for promotion and cooperation in scientific, technological, technical, socio-economical and other research, systematic observation and development of data archives related to climate system and intended to further the understanding and to reduce or eliminate the remaining uncertainties regarding the causes, effects, magnitude and timing of climate change and the economic and social consequences of various response strategies;

4.1g of the Convention) Promote and cooperate in scientific, technological, technical, socioeconomic and other research; systematic observation and development of data archives related to the climate system, in order to facilitate understanding of causes, effects, magnitude and timing of climate change, and economic and social consequences of various response strategies and h) Promote and cooperate in the full, open and timely interchange of relevant scientific, technological, technical, socio-economic and legal information on climate system and climate change, and on economic and social consequences of various response strategies;

4.1i of the Convention) Promote and cooperate in education, training and public awareness of climate change and encourage the widest possible participation in this process, including that of NGOs;

4.1j of the Convention) Communicate to the Conference of the Parties information related to the application, in accordance with Article 12.

- Provision of agreed full incremental costs for promotion and cooperation in the full, open and prompt exchange of relevant scientific, technological, technical, socio-economical and legal information related to climate system and climate change, and to the economic and social consequences of various response strategies; and

- Provision of agreed full incremental costs for promotion and cooperation in education, training and public awareness related to climate change and encourage the widest participation in this process, including that of non-governmental organization;

(e) For capacity building, institutional development, and other activities:

- Financial resources for specific capacity-building activities that require support to enable developing countries to undertake the enhanced implementation of the Convention, in accordance with decision taking by the Conference of the Parties; and

- Financial resources for capacity-building support to developing country Parties, with a view to strengthening endogenous capacities by inter alia:

- o Strengthening relevant institutions at various levels, including focal points and national coordinating bodies and organizations;

- o Strengthening networks for the generation, sharing and management of information and knowledge, including through North–South, South–South and triangular cooperation;

- o Strengthening climate change communication, education, training and public awareness at all levels;

- o Strengthening integrated approaches and the participation of various stakeholders in relevant social, economic and environmental policies and actions; and

- o Supporting existing and emerging capacity-building needs identified in the areas of mitigation, adaptation, technology development and transfer, and access to financial resources;

12.5 In each of the above areas, financial resources are required to enable developing countries to effectively implement their commitments under the Convention. The Conference of Parties and the entity or entities entrusted with the operation of the financial mechanism shall agree on arrangements for the

“determination in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed”

Article 13. Size and Scale of the Fund

13.1 The Fund shall manage a large scale of financial resources from a number of sources and deliver through a variety of financial instruments.

13.2 The Fund shall take into account the various commitments made in relation to climate financing, including the commitment by developed countries to provide new and additional resources, approaching USD 30 billion for the period 2010–2012; that scaled-up, new and additional, predictable and adequate funding shall be provided to developing country Parties; that developed country Parties commit to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries; and that a significant share of new multilateral funding for adaptation should flow through the Fund.

13.3 The Fund shall make arrangements to determine in a predictable and identifiable manner “the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed taking into financial needs identified by the developing country Parties” in accordance with Article 11 of the Convention. The Fund will also “seek to mobilize financial resources” in accordance with Article 11, as well as Articles 4, paragraphs 3, 4 and 5 of the Convention.

Full and incremental costs

13.4 The Fund shall provide information relevant to the determination of the amount of funding necessary for the implementation of the Convention including, inter alia, through an evaluation, in relation to each of the thematic areas covered by the Convention and collectively, of the type of costs to be covered including those which are to be financed at agreed “full costs” and at agreed “full incremental costs”, as well as financing required to address other commitments described in the Convention for consideration of the Conference of the Parties.

13.5 The Fund shall provide financial resources to assist developing countries that are particularly vulnerable to the adverse effects of climate change in “meeting the costs of adaptation to those adverse effects”. Adaptation costs, consistent with the approach established under the Adaptation Fund under the Kyoto Protocol, shall be provided “on full adaptation cost basis of projects and programmes to address the adverse effects of climate change”. Full costs are defined to mean “the costs associated with implementing concrete adaptation activities that address the adverse effects of climate change.”

13.6 The Fund shall agree on a methodology and guidelines for calculating and assessing incremental costs, taking into consideration the recommendations of the Standing Committee and other thematic bodies under the Convention, in accordance with guidance by the Conference of the Parties. These shall include, inter alia, general principles, guidelines criteria and indicative lists of categories of incremental costs, to enable a more precise calculation of incremental costs.

Estimating financial needs and costs of adaptation, mitigation, etc.

13.7 Drawing on recommendations by thematic bodies on the areas and types of costs to be covered, and on the methodologies and guidelines established in accordance with Article 13.6, the Fund may estimate the scale of financing needed in accordance with Article 11.3(d) of the Convention.

13.8 The Fund will establish a process to ensure that an adequate and predictable level of financing needed shall be provided regularly, taking into account Article 13.6 and 13.7. The outcomes of this process shall be provided for consideration by the Conference of Parties.

Phasing in the large scale of the Fund

13.9 The Fund shall make a plan for the phasing in the volume of resources, including activities that require funding in the initial phase of the Fund, and the next phases.

IV: OPERATIONAL MODALITIES**Article 14. Sources of finance**

Therefore, the main source of the fund should be public sources of the developed country Parties and the private sector contributions should only be considered as complementary. Neither the private sector financing, nor market mechanisms are predictable and sustainable, as the Bali Action Plan foresaw for Financing the Climate Change.

On innovative mechanisms to generate public funding for the climate, they may be the application of an international tax on financial transactions (ITFT) to some transactions in the financial markets; such as foreign stocks, bonds and derivatives in particular. This could generate annual revenues of hundreds of millions per year, depending on the level of taxes and scope of operations covered.

14.1 In line with Article 4.3 of the Convention, developed country Parties and other developed Parties included in Annex II of the Convention shall provide financial resources to the Fund.

14.2 In accordance with the Convention, and decision 1/CP.16:

- a) Financial resources shall be “new and additional, predictable and adequate”;
- b) Financial resources shall be provided to developing country Parties, taking into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse effects of climate change; and
- c) Financial resources shall be measurable, verifiable, reportable, and non-unmarked and should involve the provision of financial resources from sources envisaged by the Convention.

Any instrument of Green Climate Fund shall stipulate that financial resources must be new and additional, predictable, adequate and sustainable, measurable, reportable and verifiable and not assigned and also that financial contributions should be primarily in the form of grants or on a concessional basis on the provisions of the Convention and relevant decisions of the COP. The Convention establishes a financial mechanism to channel financial resources as grant or grants on a concessional basis.

The Bali Action Plan calls for consideration of improved access to financial adequate, predictable and sustainable resources and technical and financial support, and providing new and additional resources, including official and concessional funding for developing country Parties , inter alia.

The decision of the COP 16 in Cancun also decided that the new, additional, adequate and predictable funding will be provided to developing country Parties.

The Bali Action Plan also links the mitigation actions of developing countries and the provision of finance, technology and capacity building from developed countries, so measurable, reportable and verifiable.

14.3 The financial contributions should be principally in the form of grants. To the extent, concessional finance is provided; only the grant or concessional element should be counted as new and additional (as is the historical practice of key donors).

Assessed contributions

14.4 In accordance with Article 4.3) and relevant decisions of the Conference of the Parties the provision of financial resources shall reflect “appropriate burden sharing among the developed country Parties”. The Fund shall develop a more systematic method for assessing and allocating the responsibility among the developed countries to provide adequate and predictable, new and additional financial resources.

14.5 The Fund shall utilize a systematic method in evaluating the level of financial resources required to implement the Convention, which shall address:

- a) Consideration of the scale of financing required in aggregate to reflect the total scale of financing

necessary for the implementation of the Convention by developing countries to the Convention; and

b) Consideration of the means for the “appropriate burden sharing among developed country Parties” which can be assured through the development of a scale of assessed contributions, similar to the practice elsewhere within the United Nations.

Article 15. Delivery and Uses of Funds

The Fund must have, at least; the following thematic issues and Windows for delivery or disbursement of funds: adaptation, mitigation, technology development and transfer, information and processes adopted by Parties to implement the Convention, capacity building and institutional development.

The Windows of the Fund must be for the access, delivery or disbursement of funds and shall be unable to receive or allocate contributions, these should be comprehensive, centralized and not for specific purposes.

Direct Access

Eligible Parties shall be able to submit their project proposals, prepared in accordance with project preparation eligibility criteria agreed by the Board or through an implementing or executing agency chosen by them.

Access to the Fund will be directly to Parties themselves or entities designated by them or, if desired, but not directly to the private sector or civil society organizations. The Fund must be an operating entity of the financial mechanism of the Convention; the States Parties to the Convention are responsible for their commitments and obligations under the Convention and to implement it.

This provision does not exclude the involvement and participation of the private sector and civil society in projects nationwide under the supervision of their national governments; ensuring consistent national programs aligned with national objectives, the consistency and coherence of the projects financed by the Fund with national obligations, commitments, priorities and action plans.

The Fund will be country-driven and respond, inter alia, to economic, climatic, social, and financial and development needs and circumstances of developing countries in a different way and over time.

Article 16. Plans, programmes and projects eligible for funding

16.1 The Board will formulate detailed operational guidelines for plans, programmes and projects that are eligible for funding in each of the thematic areas covered by the Fund, taking into account the recommendations of relevant thematic bodies under the Convention as well as the policies, programme priorities and eligibility criteria decided by the Conference of the Parties.

16.2 In each thematic area, eligibility criteria will be developed to provide clear guidance on the types of activities that are entitled to the provision of financial resources. These shall reflect, inter alia:

a) The character of the specific thematic area with a view to enabling approaches tailored to each thematic area to target financing and facilitate access; and

b) The requirements of activities at different levels (e.g. project, programmatic and national planning levels).

16.3 Financial resources provided by the Fund should enable activities at a range of different levels including:

a) Specific projects comprising a set of concrete activities that are defined clearly in terms of their scope, timing and expected results;

b) Larger overarching programmatic initiatives including programs of specific investments and

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activities within a specific thematic area and sector; and

c) Integrated national climate plans to enable developing countries that wish to do so to strengthen their efforts at the cross-sectoral and national level to integrate climate change into relevant economic and social development planning.

16.4 The Fund shall have a streamlined approval process to enable effective disbursement, with simplified criteria and procedures for small-scale activities.

16.5 The Fund will support capacity building in developing countries with a view to improve their capacity to formulate plans and proposals and thus to better raise financial resources.

Eligible countries

16.6 In accordance with the Convention, including Article 4.3, all developing countries, without discrimination or any form of exclusion, are eligible to receive financial resources for the implementation of measures set out in Article 4.1 of the Convention including those relating to adaptation, mitigation (including forests), technology development and transfer, and capacity building as well as for national communications in accordance with Article 12.1 of the Convention.

16.7 The consideration of the specific needs and concerns of countries shall be undertaken in accordance with the provisions of Article 4 of the Convention.

16.8 The Fund shall strive to strike a fair balance between the considerations set out in Articles 16.6 and 16.7 (the rights of all developing countries and the needs of those in specific situations) through Fund guidelines and other modalities.

Country endorsement and eligible implementing entities

16.9 Each proposal for funding must be endorsed by the requesting government of a Party eligible to receive funding (Eligible Party), which shall designate and communicate to the Secretariat the authority that will endorse on behalf of the national government the projects and programmes proposed for funding.

16.10 Eligible Parties may choose to designate a national authority, which can submit proposals directly to the Fund. Such national authority will be responsible for the overall management and implementation of projects and programmes financed through them by the Fund, and will bear all financial, monitoring and reporting responsibilities. Eligible Parties, in addition, may engaged the services of multilateral implementing agencies.

16.12 A group of Eligible Parties may also nominate regional and sub-regional entities as implementing agencies, in which case provisions of paragraph 16.10 will apply.

Article 17. Fiduciary standards and financial management***Fiduciary Standards***

17.1 The implementing entities designated to receive the funds and to allocate and use them shall abide by the principles of financial accountability and good fiduciary standards.

17.2 These principles and standards may cover financial Integrity and management, institutional capacity and implementation.

17.3 The Fund shall provide resources to provide the designated national agency and personnel in the developing countries with training, capacity building and institutional development in relation to financial management and accountability. This should be financed through appropriate arrangements within the Fund. This capacity building should be implemented as a priority so as to ensure preparedness for project implementation.

Article 18. Engaging with the Private Sector and Other Economic entities

18.1 The private sector in developed countries is encouraged to make contributions and donations to the Fund. However, resources of the Fund should not be used for subsidizing corporations or financial institutions of developed countries (as the Fund is established to provide resources to developing countries).

18.2 Such contributions shall not include payment by companies for offsetting in the carbon trade, as financial resources provided by carbon markets are to enable developed countries to implement their mitigation commitments and are not contributions towards the financing commitment of the developed countries in accordance with the Convention.

18.3 The Fund will encourage governments in developing countries to make use of a variety of instruments to engage with their economic institutions and units, including major companies, small and medium enterprises, the urban informal sector, and the rural farmers, and to support their engagement in national efforts for mitigation, adaptation, technology development, capacity building and institutional development.

18.4 A variety of financing instruments such as subsidies, tax breaks, concessional loans, public investment in agricultural programmes, may be employed at the national level in order to incentivize the economic units of developing countries. The incremental cost to public and private sector to make changes for mitigation or adaptation, and various types of the relevant public-sector expenditure in incentivizing the private economic units, may be eligible to be financed through the Fund.

Article 19. Monitoring and Evaluation

Monitoring

The Transitional Committee can not endorse the Paris Declaration on Aid Effectiveness (PDAE) and the Accra Action Agenda (AAA) or even most of its content, as some developed countries have suggested; because they are not equitable there is no consensus on its principles.

The Paris Declaration and the Accra Agenda for Action never have part on the UN process. The Millennium Development Goals (MDG) number eight, related to North-South relations were not included in the Paris Declaration. None of the Organizations of developing countries such as G-77 or the African Union was represented in Accra, as such, while developed countries act together in coordination.

The untying of the assistance in acquisition of goods and services from donor countries should also be included in the Instrument of this new Fund. Any and all economic policy prescriptions should be explicitly prohibited in the Green Climate Fund Instrument.

Environmental and social standards of programs and projects should not become conditionalities; they should not be the environmental and social standards of developed countries which are higher than those applicable in developing countries. They are not realistic and achievable to reduce the stages of development. The general applicable rules should be adopted by the parties

19.1 The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund. The Board or a designated sub-committee of the Board, with support of the Secretariat, will monitor the Green Climate Fund's portfolio of projects and programmes.

19.2 Implementing entities shall ensure that capacity exists to measure and monitor results of the Executing Entities at the country-level, and shall submit annual status reports on projects and programs under implementation. The Board, with the support of the Secretariat, shall provide an annual report on the overall status of the projects and programmes.

Evaluation

As for the audit; an independent external auditor should be appointed by the Board or, preferably, the Conference of the Parties for no more than two consecutive 4 to 5 year terms.

The aim is to present to the Board and the Conference of the Parties an outside opinion and report, among other things, accounts and financial statements of the Funds, the legality and regularity of its operations, financial procedures of administrative and financial management and financial performance in accordance with the financial regulations, rules and standards.

All selection processes must be based on transparency, professionalism / competence, competitiveness and equal opportunities for all. All parties should be invited to submit a formal proposal based on established requirements. The Board shall define the detailed requests for proposals to clarify the requirements and conditions of engagement, and clearly delineate the documentation / information that candidates must provide in the proposal. Such proposals should include at least a description of the audit methodology, the auditors' résumé, professional experience, the number and level of staff to participate, the months of work and audit fees, including salaries and allowances, if any, and a statement of confidentiality.

As minimum requirements, the selecting body shall give due consideration in the process of selecting the external auditor; the number of audit engagements underway in other international organizations and candidates audit institutions, the need to diversify the geographical distribution of institutions audit in organizations and international agencies; ensuring the rotation of the Fund's audit institution, and ensuring that the country of the audit institution is different than the host country of the Fund and Trustee and / or the country of the nationality of the Chief the Secretariat.

The process of selection and appointment of external auditors by the Board or the COP shall be by secret ballot if there is no consensus on the candidate.

19.3 There shall be periodic independent evaluations of the performance of the Fund, which shall address factors including, inter alia, the performance of the Fund, evaluation of the Secretariat and the Interim Trustee; assessments of the appropriateness of Fund's structures, operations and policies; the effectiveness of the work of the thematic windows and areas, and the impacts on the recipient countries of the activities and programmes supported by the Fund.

19.4 Evaluations shall be undertaken with a view of providing information regarding performance at:

- a) Fund level. Evaluation of the Fund and its overall performance to ensure it achieves its objectives and remains accountable to the Parties through the Conference of Parties.
- b) Entity level. Evaluation of the fund's various entities and officers – including its secretariat, trustee and other bodies – to ensure the components of the Fund are effectively performing their functions and contributing to the effectiveness of the fund as a whole.
- c) Thematic level. Evaluation of the Fund's operations in each of its specific thematic areas to ensure it is achieving the specific objective set in relation to each thematic area.
- d) Project level. Evaluation at the level of implementation – including the provision of financing and its application to specific projects – in collaboration with relevant implementing partners and countries.

19.5 Evaluation of fund entities, thematic areas and operations and implementation shall be undertaken or arranged by an independent Evaluation Unit of the Fund, which is answerable directly to the Board.

19.6 The Evaluation Unit will undertake or arrange for on dependant evaluation or assessment of the Fund, fund entities and fund operations and projects plays a key role in enhancing decision-making, accountability and effectiveness.

19.7 A portion of regular projects and programmes that complete implementation will be subject to terminal evaluation by an independent evaluator. Terminal evaluation reports will be submitted to the Board within a reasonable time after project termination.

19.8 Information on the Fund's performance – including its various entities, thematic areas and projects – will be regularly compiled by the Board for consideration by the Conference of Parties, which could provide additional oversight and guidance as appropriate.

Article 20. Environmental and Social Safeguards

20.1 The programmes and projects to be funded should be environmentally and socially appropriate, and in line with the objectives and principles of the Fund. However, the assessment and procedures to ensure they meet minimum environmental and social standards should not become conditionality.

20.2 The Fund through the technical and expert panels provided by the thematic bodies under the convention will ensure the applications of environmental and social safeguards to the funds activities, including for technology transfer and development.

ANNEX I

SCOPE AND MANDATE OF THEMATIC AREAS OF FUNDING AND THEMATIC WINDOWS OF THE GREEN CLIMATE FUND

Convention

The scope of the Fund will be in accordance with the provisions of the UNFCCC regarding commitments for financing for climate change, as detailed in Annex I.

(a) In relation to **communication of information related to implementation**, the Convention (Article 4.3) commits the developed countries to provide new and additional financial resources to meet the “agreed full costs” incurred by developing countries in complying with their obligations to provide national communications (as set out in Article 12.1).

(b) In relation to **implementation of other commitments** by developing countries, the Convention (Article 4.3) commits developed countries to provide such financial resources needed to meet the “agreed full incremental costs” of implementing certain measures (as set out in Article 4.1). These include:

- Formulating and implementing national and regional programmes containing **measures to mitigate** climate change and to facilitate adequate **adaptation** (Article 4.1(b));
- Cooperating in **the development and transfer of technologies** to mitigate climate change in all relevant sectors (including energy, transportation, industry, agriculture, forestry and waste management) (Article 4.1(c));
- Cooperating in the conservation and enhancement of **sinks and reservoirs** of greenhouse gases including **biomass, forests, oceans and other ecosystems** (Article 4.1(d));
- Cooperating in preparing for **adaptation** to the impacts of climate change, develop appropriate plans for coastal zones, water and agriculture and protection and rehabilitation of areas affected by drought, desertification and floods (Article 4.1(e)).
- Taking climate change into account in relevant policies and actions, and employing appropriate methods to **minimizing adverse effects** of projects or measures to mitigate or adapt to climate change (Article 4.1(f)).
- Promoting **scientific and other forms of observation** etc. to improve understanding of climate change and the consequences of response strategies (Article 4(g)).
- **Exchange and communicate information and promote education, training and public awareness** (Articles 4(h)-(j)).

(c) In relation to the **adverse impacts of climate change**, the Convention (Article 4.4) commits developed countries to assist developing countries that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation to those adverse effects.

(d) In relation to **technology transfer**, the Convention (Article 4.5) commits developed countries to take all practicable steps to “promote, facilitate and finance” the transfer of or access to environmentally sound technologies and know-how, and in the process to support the enhancement of endogenous capacities and technologies in developing countries.

(e) The Convention provides that **the Conference of Parties is responsible for seeking to mobilize financial resources** in accordance with Article 4, paragraphs 3, 4, and 5 and Article 11 (Article 7(2)(h)). It is also responsible for arranging for the provision to developing countries of technical and financial support for national communications and in **identifying technical and financial needs associated with proposed projects and response measures** under Article 4 (Article 12.7).

(f) The Convention requires the Conference of Parties, and the entity or entities entrusted with the operation of the financial mechanism, to agree on arrangements for the “determination in a predictable

and identifiable manner **the amount of funding necessary** and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed” (Article 11(3)(d)).

Bali Action Plan

The **importance of enhanced action to implement the Convention was recognized in the Bali Action Plan**, in which Parties resolved to “urgently enhance implementation of the Convention in order to achieve its ultimate objective in full accordance with its principles and commitments.”

In relation to finance, the Bali Action Plan recognizes the need for “**enhanced action on the provision of financial resources and investment** to support action on mitigation and adaptation and technology cooperation”, and identifies a range of areas for further consideration. This includes “improved access to adequate, predictable and sustainable financial resources and financial and technical support, and the provision of new and additional resources, including official and concessional funding for developing country Parties”.

The Bali Action Plan also links mitigation actions by developing countries and the provision of financing, technology and capacity building by developed countries, in a **measurable, reportable and verifiable manner** (paragraph 1(b) (ii)).

ANNEX 2**RULES OF PROCEDURE OF THE BOARD OF GREEN CLIMATE FUND****Applicability**

Rule 1

1. These rules of procedure shall apply to the conduct of business of Green Climate Fund Board, in accordance with the decision of the XVI 1/CP.16 session of the Conference of the Parties (COP) to The United Nations Framework Convention on Climate Change (UNFCCC)

2. These rules apply mutatis mutandis to the procedures of the subsidiary bodies.

Definitions

Rule 2

For the purpose of these rules:

a) "Fund" means the Green Climate Fund 1/CP.16 accordance with the decision of the Sixteenth Session of the Conference of the Parties;

b) "Board" means Green Climate Fund Board, established by decision 1/CP.16 of the Sixteenth session of the COP as an operating entity of the Green Climate Fund with a mandate to supervise and manage the Green Climate Fund under the guidance of, and be accountable to, the COP;

c) "Member" means a representative elected by the COP as a member of the Green Climate Fund Board, accorded the right to vote;

d) "Alternate" means a representative elected by the COP as an alternate for each member;

e) "Meeting" means any meeting of the Green Climate Fund Board;

f) "Chairman" means the Board member elected as Chairman of the Green Climate Fund Board, according to paragraph 10 of these rules;

g) "Vice-President" means the Board member elected Vice-Chairman of the Green Climate Fund Board, according to paragraph 10 of these rules;

h) "Secretary" is the independent secretariat Green Climate Fund, consistent with decision 1/CP.16, paragraph 108;

i) "Trustee" means the trustee for the Green Climate Fund;

j) "UNFCCC" means the United Nations Framework Convention on Climate Change;

k) "Parties" means Parties to the UNFCCC;

l) "Secretary" means the staff member of the secretariat in charge of providing support services and logistics to the Green Climate Fund Board meetings;

m) "Head of the Secretariat" means the head of the Green Climate Fund Secretariat;

Board

Rule 3

3. The Board has 24 members and 24 alternates, consisting of twelve members and twelve alternates from developed Parties, and twelve members and twelve alternates for developing countries. Each group of parties shall select its Board members and its alternates. The members of the Board and their alternates shall be formally endorsed by the Conference of the Parties.

4. The member and alternate shall each serve for a term of two calendar years and shall be eligible to serve a maximum of two consecutive terms.

5. In the absence of a member, or when requested by a member in writing, his or her alternate shall act for the member, including by voting in the member's stead.

6. If a member or an alternate resigns or is otherwise unable to complete the assigned term of office or assigned to perform the functions of that office, the Green Climate Fund Board shall request the relevant constituency to nominate a new member, or the new alternate for the remainder of the mandate of the member or alternate. Appointments of new members and or alternates shall be reported to the next session of the COP.

a) When a member resigns or otherwise unable to complete the assigned term or the functions of a member, his or her alternate shall serve as a member, ad interim

b) When a member or alternate resigns or is otherwise unable to complete the assigned term or the functions of a member or alternate member, the Committee shall request the Conference of the Parties serving as the meeting of the Parties to the Green Climate Fund to elect a new member or alternate member for the remainder of the term at the its next session.

7. Except as may be expressly provided otherwise in these rules, any reference in these rules to a member shall be deemed to include his or her alternate, when such alternate acts for such member.

8. The Board may establish committees or working groups from among its members or alternates as may be required for the transaction of its business and inform the COP in its annual report on the assigned functions to these committees or working groups.

President and Vice-President

Rule 4

9. The Board shall elect its Chairman and Vice-Chairman from among its members, with one being from developed country Parties and the other being from a developing country Party. The term of office of a Chairman and Vice- Chairman shall be one calendar year. The office of Chairman and Vice-Chairman shall alternate annually between a member of a developed country Party and a member of a developing country Party.

10. If the Chairman is temporarily unable to fulfill the obligations of the office, the Vice- Chairman in the interim shall assume the obligations and authorities of the Chairman. In the absence of the Chairman and the Vice- Chairman at a particular meeting, any other member designated by the Board shall temporarily serve as Chairman of that meeting.

11. If the Chairman or Vice- Chairman is unable to complete the term of office, the Board shall elect a replacement to complete the term of office.

12. Unless otherwise decided by the Board, the Chairman and vice-chairman for each committee or working group shall be elected by the Board. Rules 4.9 and 4.10 shall apply to any committee or working group established by the Board.

13. The Chairman or any member designated by the Chairman shall report to the annual meeting of the COP on behalf of the Board.

Secretariat

Rule 5

14. The secretariat shall:

a) Make the necessary arrangements for meetings of the Board, including ensuring that announcements of the meeting are posted on the Green Climate Fund and the UNFCCC websites, issuing invitations, preparing meeting documents and the final report of each Board meeting, and shall post all documents on the website of the Green Climate Fund;

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- b) Keep meeting records and sound recordings of all Board meetings;
- c) In agreement with the Chairman and vice-Chairman of the Board, the secretariat shall draft the provisional agenda for the Board meetings;
- d) The Head of the Secretariat shall serve, ex officio, as secretary to the meetings of the Board; and
- e) Perform all other functions that the Board may request.

Meetings

Rule 6

15. The Board shall meet at least twice every year in addition to the meetings in conjunction with sessions of the Conference of the Parties or Subsidiary Bodies under the Convention, or as frequently as necessary to enable it to discharge its responsibilities. The meetings of the Board shall take place in the country of the seat of the Fund secretariat, except when meeting in conjunction with sessions of the Conference of the Parties or with the sessions of subsidiary bodies under the Convention, in which case the Board meeting may take place in the country or at the venue of the relevant Convention meeting.

16. A simple majority of the members of the Board must be present at a meeting to constitute a quorum. A quorum shall be verified by the Chairman at the beginning of the meeting.

17. The Board may declare any of its meetings, or segments thereof, closed; these shall then be open to members, alternates and invited representatives of the secretariat and the trustee. The Board may invite any of the representatives referred to in paragraphs 27-28 to attend such meetings.

18. At each meeting, the Board may set the date and duration for the next meeting.

19. The secretariat shall notify all members, alternates and observers of the dates and venue of the meetings and circulate a formal invitation and provisional agenda for any meeting at least six weeks before the first day of the meeting.

20. Unless the Board decides otherwise in accordance with paragraph 16, meetings shall be open to members, alternates and observers as referred to in paragraphs 27-28. Observers shall inform the secretariat of the composition of their delegation four weeks prior to the first day of any scheduled meeting.

21. Before the end of each meeting, the Chairman shall present a draft report of the meeting, containing the draft conclusions and decisions of the meeting, for consideration and approval by the Board. The Chairman shall ascertain the existence of a quorum before adopting the draft report of the meeting on the understanding that the secretariat would finalize the text, taking into account the members comments and amendments proposed during the meeting.

22. Any written records of the Board or recordings of proceedings shall be kept by the secretariat on behalf of the Board in accordance with applicable rules and regulations. The secretariat shall make available to any Board member or alternate, at his or her request, copies of such records or recordings.

Confidentiality and conflict of interest

Rule 7

23. Information obtained from Green Climate Fund project participants marked as proprietary and/or confidential shall not be disclosed without the written consent of the provider of the information, except as required by national law.

24. Members and alternates have a duty not to disclose such confidential and / or proprietary information, unless required by applicable national law. This duty is an obligation after the member's term expires.

25. At each meeting, members and alternates must declare any conflicts of interest they may have in

relation to any items of the agenda. Each member and alternate member shall serve in his or her individual capacity and, with respect to any matter that is under consideration by the Board, act in an independent and impartial manner and avoid real or apparent conflicts of interest.

26. Members and alternates shall be bound by the rules of procedure of the Green Climate Fund Board, and shall abstain from speaking on project submissions emanating from their countries, unless specifically invited by the Chairman to provide clarification regarding the submissions. They shall further recuse themselves from all related deliberations and decision-making should any personal and / or financial interest arise in any aspect of a project activity or a body representing a project for approval by the Board. Members and alternates have an obligation to promptly disclose any such situation.

Observers

Rule 8

27. Except where otherwise decided by the Board, meetings shall be open for attendance, to representatives of the UNFCCC Parties, the UNFCCC secretariat and UNFCCC accredited observers. Such observers may attend without the right to vote.

28. The secretariat shall, upon the request of the Board, notify any individual or entity, whether national or international, governmental or non-governmental, qualified in a field related to the work of the Fund, of any meeting so that it may be represented by an observer.

29. The observers may, pursuant to paragraph 17 above, upon the invitation of the Chair and if there is no objection from any of the members present, participate without the right to vote in the proceedings of any meeting in matters of direct concern to the body or agency, which they represent.

30. Observers may, upon invitation of the Chairman and if there is no objection from the members present; make presentations relating to matters under consideration by the Board.

Procedures for public communication

Rule 9

31. The secretariat shall acknowledge receipt of unsolicited communications addressed to the Chairman and make available to the Chairman and the Board via e-mail or fax. The Chairman, with the support of the Head of the Secretariat, shall initiate action, including consultation with the Board, as needed, and answer unsolicited communications on behalf of the Board, as appropriate.

32. Unsolicited communication may be taken into consideration at the Board's next meeting if received before the document submission deadline (four weeks prior to the meeting). Any unsolicited communication received after this deadline would normally be considered at the subsequent meeting. At the discretion of the Chairman, a communication may be brought to the Board.

33. If a member or alternate of the Board, in that capacity, receives an unsolicited communication, he or she shall forward it to the secretariat, copying the sender of the unsolicited communication, for processing as per the above. The same shall apply for submissions received by members of panels, committees or working groups.

Agenda

Rule 10

34. The secretariat shall, in consultation with the Chairman and Vice-Chairman, prepare the draft provisional agenda of each regular meeting. The provisional agenda, together with notice of the meeting and other relevant documents, shall be transmitted to all those invited to the meeting in accordance with paragraphs 19 and 39 of these rules.

35. The Board shall, at the beginning of each meeting, adopt the agenda for the meeting.

36. Any item on the agenda of any meeting, consideration of which has not been completed at the meeting, shall automatically be included in the agenda of the next meeting unless otherwise decided by the Board.

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a) The provisional agenda and draft schedule for each meeting as well as the draft report on the previous meeting shall be circulated to members and alternate members at least six weeks before the opening of the meeting, to the extent possible under the applicable time frames.

b) The proposed agenda of each meeting shall include any item proposed by a member.

c) The Board when adopting its agenda may decide to add urgent and important items; defer or amend items.

Travel

Rule 11

37. The full costs of travel and daily subsistence allowance, at the UN standard rate, of eligible members and alternates to attend meetings of the Board, or any ancillary meetings decided by the Board, shall be provided from the budget of the Board and the Fund Secretariat.

38. The cost of travel and daily subsistence allowance of the Chairman and Vice-Chairman of the Board, irrespective of the group of parties they represent, shall be provided from the budget of the Board and the Fund Secretariat, when traveling on business of the Green Climate Fund, subject to authorization from the Board.

Transmittal of documents

Rule 12

39. The secretariat shall transmit the documentation related to items on the provisional agenda to all those invited to the meeting at least four weeks before the first day of the meeting scheduled.

Decision Making and Voting

Rule 13

40. Decisions of the Board shall be taken by consensus whenever possible. If all efforts at consensus have been exhausted and no agreement reached, decisions shall be taken by a two-thirds majority of Parties present and voting, representing a majority of developed countries and a majority of developing countries Parties.

41. An alternate may cast a vote only if acting for the member in accordance with paragraph 6.

42. The Chairman shall ascertain whether consensus has been reached. The Chairman shall declare that the consensus does not exist if there is a stated objection to the proposed decision under consideration of a member or alternate acting for a member.

43. After ascertaining the existence of a quorum, the Chairman shall announce the start of voting, after which no one shall be permitted to intervene until the results of the vote have been announced, unless an issue is raised in connection with the process of voting.

44. Voting shall be by roll-call, which shall be taken in alphabetical order of the names of the members, beginning with the member whose name is drawn by lot by the Chairman.

45. The name of each member shall be called in all roll-calls, and he or she shall indicate the vote ('yes' or 'no') or abstention.

46. Votes cast by each member participating in roll-call shall be recorded in the report of the meeting.

Use of electronic means

Rule 14

The Board may use electronic means for transmission, distribution and storage of documentation, without prejudice to normal means of circulation of the documentation, as the case may be.

Technical and Expert Panels

Rule 15

50. The Board may establish technical and expert panels to provide through the thematic bodies under the Convention, inter alia, expert advice, to assist it in the performance of its functions. The Board may draw on the experience and utilize the existing institutions under the UNFCCC.

Languages

Rule 16

51. The working language for the Board shall be English. Simultaneous interpretation shall be provided during its meetings in all of the official United Nations languages that correspond to the actual language requirements of the members and alternates present at that meeting.

52. Late meetings, committees and working groups will be held in English when interpretation is not available.

5.3 The documents for the meetings will be provided in English only.

5.4 The full text of all reports including the decisions taken by the Board shall be made publicly available via the Green Climate Fund website in all six official languages of the United Nations.

Amendments to the Rules of Procedure

Rule 17

55. These rules of procedure may be amended according to paragraphs 40-47 above and, to be effective, must be formally approved by the COP.

a) These rules of procedure may be amended by a decision of the Conference of the Parties after the plenary has approved the proposed amendment and reported on the matter to the Conference of the Parties.

b) Any amendment of these rules approved by the plenary shall be provisionally applied pending their adoption by the Conference of the Parties serving as the meeting of the Parties to the Kyoto Protocol.

Overriding authority of the UNFCCC

Rule 18

56. In the event of any conflict between any provisions of these rules and provisions of the UNFCCC, the UNFCCC shall prevail.

II. Submission by Mr. Nick Dyer (United Kingdom of Great Britain and Northern Ireland)

GCF Design Document UK perspective

1. Objectives
 - To enable sustainable development and poverty reduction, tackle dangerous climate change and hold the increase in global average temperatures to below 2C above pre-industrial levels by:
 - Supporting developing countries to adopt low-carbon development
 - Supporting developing countries to reduce vulnerability and build resilience
2. Principles
 - Promotes partnership behaviour – consult, participate, align, harmonise with others, country-driven
 - Focuses resources on defined needs and results
 - Delivers defined transformational change
 - Finances agreed on incremental costs
 - Predictable, transparent and accountable financial resource management
 - Demonstrate efficiency and effectiveness
 - Transparency
 - Accountability
 - Address identified vulnerabilities and/or special needs such as gender and fragility
 - Leverage private sector finance
 - Address potential natural resource impacts and benefits
3. Participation
 - Membership
 - UN members
 - Eligibility
 - As defined by UNFCCC for activities within the framework of the convention
 - MDB borrowers for other activities promoting the objectives of the fund
4. Contributions
 - Contributors
 - States
 - Other sources
 - Type of contribution
 - Grants
 - Other contributions
 - Timing of contribution
 - Replenishment
 - On-going
 - Windows
 - Ensure funding available for mitigation
 - Ensure funding available for adaptation
 - Ensure funding available for REDD
5. Board
 - Composition
 - 24 members
 - 12 from developed countries

- 12 from developing countries including representatives of relevant United Nations regional groupings and representatives of small island developing States and the least developed countries
- Board members should be representatives with experience in project or program finance
- Selected without approval or involvement of any other mechanism
- Representing constituency groupings including all participants
- Due weight to funding efforts of donors
- Quorum – 2/3 of members
- Board will elect a chairperson from among its members for a defined time period
- Each board member with one alternate
- Civil society and private sector observers

Functions

- Oversee GCF operation
- Ensure monitoring and evaluation of activities
- Review and approve work programme
- Approving financing decisions
- Allocate resources
- Manage resources
- Mobilise donor resources
- Set GCF strategy and operational policies and procedures
- Review and approve policies and procedures for GCF operations
- Act as focal point for guidance from and reporting to the COP
- Appoint the Secretariat Director and instruct and oversee the work of the Secretariat
- Appoint the Head of Evaluation and instruct and oversee the work of the Independent Evaluation Office
- Review and approve administrative budget
- Fiduciary responsibility
- Review and approve the annual report
- Establish sub-committees and delegate functions
- Appoint the permanent trustee after the three year interim period
- Determine safeguards
- Make provision for accessing technical and scientific advice as appropriate
- Accredite entities for implementation and revoke accreditations
- Approve cooperative arrangements with the COP and other bodies.
- Exercise other operational functions as may be appropriate to fulfil the GCF's objectives
- Commission work from the Secretariat

Decision making

- Consensus where possible
- Voting
- Rules of procedure decided by the board

Sub-committees

- Will establish separate sub-committees accountable to the board for grants, concessional instruments and innovative private sector instruments
- Board may delegate authority to sub-committees
- May establish sub-committees accountable to the board for other instruments the Board deems appropriate

6. Secretariat

Independence status

- Independent

Director

- Headed by a Director selected by merit-based competition irrespective of nationality
- Report to and be accountable to the Board
- Overall management of Secretariat
- Organisation, appointment and dismissal of staff

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- Competitive recruitment of staff

Function

- Service the Board
- Implement Board decisions
- Coordinate formulation and oversee implementation of programmes
- Prepare guidelines for implementing partners for project cycle management
- Prepare policies and procedures for GCF operations
- Monitor activities in coordination with implementing entities and prepare annual report
- Prepare admin budget
- Prepare work programme
- Any other functions assigned by the board

7. Trustee

Selection

- World Bank as interim trustee for three years from fund activation
- Trustee then selected through open procurement

Functions

- Collection, investment, and management of funds, on the instruction of the Board
- Disbursement of funds to entities, on the instruction of the Board
- Regular financial reporting
- Arranging independent audits in coordination with the Board.

8. Access

Allocation

- Board will determine resource allocation:
- Maintain a balance between adaptation and mitigation
- As appropriate vulnerability, mitigation potential, performance, results

Modalities

- Direct access through entities accredited by the board
- Intermediated access through entities accredited by the board
- Board will determine the safeguards entities must meet

Entities

- Private
- Public
- Civil Society
- National
- International

Cooperation with other bodies

- Implementing entities may make arrangements for GCF project preparation
- Coordinate with other organisations involved in climate change, environment and development including multilateral, bilateral, civil society organisations, and the private sector
- Partnership forum with multilateral, bilateral, civil society and private sector organizations.

9. Monitoring & Evaluation

Monitoring

- Secretariat in coordination with implementing entities will monitor efficiency, effectiveness, outputs and outcomes and report to the board

Fund evaluation

- Independent Evaluation Office will commission a periodic evaluation of the GCF
- Evaluation will be published
- Recommendations to the board

Activity evaluation

- Independent Evaluation Office will evaluate GCF-funded programmes
- All evaluations will be published

- Recommendations to the board

10. Accountability

Audit

- The Board and Trustee set the standards and requirements for the independent financial audits
- Entities subject to regular and random independent financial audits

Fraud response

- The Board and Trustee set the standards and requirements for fraud response
- Any awareness or suspicion of misappropriation or diversion of funds, fraud or corruption reported to the board
- Any awareness or suspicion of misappropriation or diversion of funds, fraud or corruption subject to full investigation

Redress

- Board to establish accountability mechanism evaluate safeguards and receive, review and decide how to handle complaints

11. Relationship with the COP

- Under the guidance of and accountable to the COP

Reporting

- Annual report of GCF activities to the COP

12. Legal personality

- [to be determined]

13. Amendments to design document

- Decision making process

III. Submission by Ms. Marisa Lago (United States of America)

Green Climate Fund (GCF) Design Document

1. Objectives and Purpose Statement
 - a. Mobilize resources to reduce greenhouse gas emissions and help developing countries adapt to the effects of climate change.
 - b. Finance agreed incremental costs
 - c. Provide financial management that is transparent and accountable
 - d. Demonstrate efficiency and effectiveness
2. Board
 - a. Composition:
 - i. 12 developed and 12 developing country representatives
 - ii. Board members should be representatives with experience in project or program finance
 - iii. One developed and one developing country chair, who will be elected by the Board for a defined period of time
 - iv. Private sector and NGO active observers to the Board
 - b. Decision-making
 - i. Rules of procedure and other regulations governing operations of the Board will be adopted by the Board on a consensus basis
 - ii. Board will operate on a consensus basis; there may be voting rules for specified issues where consensus is not attainable
 - c. Selection:
 - i. Developed countries will self select their 12 Board members
 - ii. Developing countries will self select their 12 Board members
 - iii. Provisions to mandate regular review of countries within “developed” and “developing” groupings
 - iv. Board will be selected without approval or involvement of any other mechanism
 - d. Functions. The Board will:
 - i. Continuously review the operation of the Fund with respect to purposes, scope and objectives
 - ii. Approve all financial decisions
 - iii. Approve operational modalities, including access modalities or funding structures
 - iv. Approve all policies (i.e., strategies, framework)
 - v. Establish committees as appropriate to address specific activities and delegate authority to these committees
 - vi. Arrange for periodic financial and performance audits of the Secretariat and activities of the Fund
 - vii. Develop social and environmental safeguards and fiduciary standards
 - viii. Receive reports directly from all accountability mechanisms
 - ix. Act as focal point for cooperation with Conference of Parties, including approval of arrangements agreed between COP, receipt of guidance from COP, and compliance with arrangements with COP
 - x. Appoint the Managing Director of the Secretariat, the head of the evaluation unit, and the head of all accountability units, and oversee the work of the Secretariat
 - xi. Exercise such other operational functions as may be appropriate to fulfill the purposes of the GCF
 - xii. Board will approve the accreditation process for institutions that will deliver finance
 - xiii. After the accreditation process, the Board will approve the selection of institutions that will deliver finance
3. Secretariat
 - a. The Secretariat shall service and be accountable to the Board.
 - b. The Secretariat shall be headed by a Managing Director who reports directly to the Board and is responsible for the organization, appointment and dismissal, and oversight of Secretariat Staff.
 - c. The Managing Director will be responsible for the day-to-day operations of the Secretariat.

- d. Functions of the Secretariat will be determined by the Board.
4. Trustee arrangements
 - a. The World Bank shall serve as interim trustee.
 - b. The interim trustee status shall be reviewed by the Board three years after operationalization of the Fund.
 - c. After the initial review of trustee status, the Board may choose a permanent trustee on a consensus basis; the interim trustee shall serve until the Board chooses a permanent trustee.
5. Coherence with other bodies
 - a. The Board will receive guidance from, and be accountable, to the COP consistent with arrangements negotiated between the COP and the Board. The Board will approve any such arrangements.
 - b. The Board may negotiate and approve cooperative arrangements with other bodies as appropriate.
 - c. The GCF will coordinate with other organizations involved in climate change activities, including multilateral and bilateral entities, the private sector and non-governmental organizations.
 - d. The Fund will have a regular partnership forum with multilateral and bilateral entities, the private sector and non-governmental organizations involved in climate change activities.
6. Windows
 - a. Windows would include:
 - i. Mitigation
 - ii. Adaptation
 - iii. REDD+
 - iv. Private sector
 - b. Windows or sub-windows may be added, modified, or eliminated by the Board
 - c. Board may establish committees to oversee day-to-day governance of windows
 - d. Cross-cutting themes such as technology and capacity building will be addressed by all windows
7. Modalities
 - a. Resources into the Fund
 - i. Resources into the Fund may be provided by the public and private sectors and should allow for alternative sources
 - ii. Multi-year voluntary replenishments should be used for public funds
 - iii. Donors may specify windows to which contributions are made
 - b. Resources out of the Fund
 - i. Financing may be delivered to or through the following institutions as determined by the board: Multilateral Development Banks (defined as The World Bank Group; the Inter-American Development Bank; the Asian Development Bank; the African Development Bank, and the European Bank for Reconstruction and Development), UN agencies, regional institutions, non-governmental organizations, the private sector, and recipient country national implementing entities.
 - ii. Financing should be utilized to catalyze private sector investment to as great an extent as possible
 - c. Eligibility
 - i. The Board will prioritize eligibility, taking into account potential for greenhouse gas reductions and greatest vulnerability to climate change. Possible country-specific criteria could include:
 1. Least developing countries and Small Island Developing States first;
 2. Other countries that can access concessional windows of the Multilateral Development Banks (The World Bank Group; the Inter-American Development Bank; the Asian Development Bank; the African Development Bank, and; the European Bank for Reconstruction and Development) next;
 3. And finally to other countries that borrow from the Multilateral Development Banks.
 - ii. The Board will develop and enforce graduation procedures
 - d. The Board shall establish social and environmental safeguards and fiduciary standards and standards for sound financial management.
 - e. Allocations

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- i. The Board will determine allocation methods within windows that can vary across windows
 - ii. The Board should develop a resource based allocation system for the mitigation, adaptation, and REDD+ windows recognizing the need to prioritize regional allocations
- 8. Assessment and Accountability
 - a. Monitoring
 - i. Secretariat will monitor the efficiency and effectiveness of GCF operations and report regularly to the Board.
 - b. Evaluation
 - i. An independent evaluation unit reporting to the Board will evaluate the performance of the GCF and provide an objective assessment of the results of the GCF's work. This unit will identify and disseminate lessons learned and make recommendations to the Board.
 - c. Audit
 - i. There will be regular independent financial audits of the GCF.
 - ii. An internal audit unit will work with the Secretariat and report to the Board to evaluate and improve the effectiveness of the GCF's operations, risk management, and control processes.
 - d. Redress
 - i. An independent inspection unit reporting to the board will receive complaints and evaluate and make recommendations on the implementation of the GCF's social and environmental safeguards.
 - e. Integrity
 - i. An independent integrity unit will work with the Secretariat and report to the board to investigate allegations of fraud and corruption.
- 9. Legal issues and Closing Provisions

IV. Submission by Mr. Richard Weber (Adviser to European Union members of the TC)

I) Main Objectives of the GCF: Help Developing countries to:

- adapt to the consequences of Climate Change;
- reduce significantly greenhouse gas emissions;
- adopt resilient low-carbon strategies, fully integrated in their development and poverty reduction plans.

I.2. Mobilise adequate financial resources provided by the international community of public and private donors in relation with the needs of the Developing Countries.

I.3. Establish more coherence and complementarity within the global financial architecture of Climate Change actions.

II) Main Principles:

Full responsibility of the Beneficiaries Countries for:

-programming, planning, identifying, prioritising, formulating, selecting and endorsing all projects and programmes to be realised on their national territories, which they decide to present to the financing of the GCF;

-and, once approved by the GCF Board, managing, implementing, supervising, monitoring, measuring, verifying all these actions and checking their conformity to sound management and fiduciary standards as well as their real impact and value for money.

II.2. Priority given to Direct access of Beneficiaries Developing Countries to the GCF resources.

However, Beneficiaries Developing Countries are free to decide - without discharging their final responsibilities to use an intermediated access modality by entrusting all or part of their projects and programmes to National Implementing Entities, public, semi-public or private bodies, regional, bilateral, international and multilateral organisations and agencies or NGOs, Non state Actors, CSOs and Foundations, chosen independently under their own responsibility and accredited by the GCF.

The designed entity will then present the project or programme, on behalf of the Beneficiary(ries) Developing Country(ies) concerned, with the written prior approval of the competent national authority(ies).

II.3. Decentralisation, delegation and devolution of powers are clear counterparts deriving from the priority given to direct access and from the central role played and responsibilities assumed by the Beneficiaries Developing Countries.

It follows from these principles that:

- the GCF will have full legal personality to engage in contractual relationships.

- the GCF will only finance global programmes and major projects.
- detailed components, actions, activities and projects will be directly decided, approved and managed at the national level under the decentralised responsibility of the Beneficiaries Developing Countries.
- GCF management will be based on a result-based approach.
- Cost-efficiency, effectiveness, transparency, accountability and sustainability will be at the chore of the system.
- Developing Beneficiaries Countries will receive all the technical assistance, capacity-building and assistance required and needed to be in a position to fulfil their responsibilities and central role.

II.4. First priority given to the needs of the LDCs, SIDS, and orphans regions and countries.

Eligibility and priority between beneficiaries and projects/programmes will be decided, inter alia, in relation with the following criteria:

- vulnerability to CC;
- potential greenhouse gas reductions;
- human, social, economic, development and environmental co-benefits;
- contribution to the fight against poverty;
- balance between adaptation and mitigation;
- level of development of the Country concerned;

11.5. Use of simple, flexible, responsive, quick and transparent procedures, guidelines, accreditation and management systems.

11.6. Finance, in general, agreed incremental costs or full costs for specific adaptation projects and programmes presented by LDCs and SIDS.

11.7. Play a transformational and innovative role enabling the Developing Beneficiaries Countries to shift their development strategy and planning towards a sustainable, low emission, climate resilient economic and social system.

11.8. Seek environmental and social co-benefits.

11.9. Establish a transparent, participatory process allowing all categories of stakeholders, CSOs and affected populations representatives to be fully consulted and to participate to the selection, decision, management, implementation and verification of programmes and projects.

11.10. Ensure a balanced and flexible allocation between adaptation, mitigation and REDD+ programmes and projects in relation with Developing Beneficiaries Countries needs, priorities and requests, and financial resources available.

III) Relations and Cooperation with other Bodies:

111.1. With the COP:

- The GCF receives guidance from, is fully accountable and report regularly to the COP.
- The GCF Board takes all its management decisions independently and under its sole responsibility.

111.2. With other UNFCCC bodies and committees:

- The GCF may receive and /or require technical non -binding advice from the Standing Committee or other bodies of the Convention and negotiate cooperation agreements with them.

- The GCF plays a central role of coordination of all Funds and Organisations financing CC programmes and projects. In order to do so, the GCF Board will create a partnership platform with all CC actors, MDGs, international, multilateral, regional, bilateral, private, public, non-governmental and civil society organisations and agencies.

IV) Contributions:

States contributions (grants and concessional lending).

Non States Actors contributions (grants from foundations including private sector).

Specific Financial Resources (e.g., revenues deriving from levies on aviation, shipping, financial markets ...).

Multi-year replenishment and on-going systems used in parallel.

Donors may choose to earmark their contributions to specific windows, actions or regions/countries.

V) Windows:

3 windows: Adaptation, Mitigation, Forestry (REDD+).

Capacity-building, technical expertise, Technology Development, Cooperation and Transfer are fully integrated in all 3 windows as cross-cutting issues.

The GCF may create, modify or eliminate windows or sub-windows following operational needs.

VI) Financing Instruments:

The GCF will use a broad range of financing instruments in order to answer to all the needs of the Developing Beneficiaries Countries and to achieve the best required combination of financial tools,

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modalities and conditions in relation with the requirements and characteristics of each programme and project.

These instruments will, inter alia, include all types of grants, guarantee mechanisms, concessional loans, budget support, insurance schemes, equity, quasi-equity and risk capital operations and participations.

VII) Governance and Organisation:**VII.1. The Board:**

24 members (each with an alternate) experienced in project finance and/or CC., 12 from developed countries, 12 from developing countries (representing UN regional groups, LDCs and SIDS), all selected by their own constituency group. Mandates of 2 or 3 years, renewable once.

Election of a Chair and Vice-Chair among the GCF members for 2 or 3 years.

CSOs and other organisations (including private sector) observers. Usual

mode of decision, by consensus.

Quorum needed for decision, 7 of each developing and developed countries representatives (14 as total).

In case of vote, Majority required equals the Quorum (14 positive votes). Main functions

of the Board:

- approve nomination of the Chairman and Vice-Chairman of the Board,
- decide all delegations of powers and creation of subordinated committees or bodies,
- oversee all GCF operations and decide policies,
- mobilise financial resources, allocate and manage resources,
- approve administrative and operational budgets of the GCF and of all subordinated bodies and committees,
- approve strategies, programming, guidelines, procedures, operational modalities, accreditations, financing operations, reviews, audits, reports, evaluations,
- bear fiduciary and financial responsibilities for GCF operations,
- appoint the Head of the Secretariat and the permanent Trustee,
- review and approve all reports to be submitted to the COP including the GCF annual accounts,
- give instructions to the Secretariat and Trustee,
- decide and approve safeguards,
- decide and approve contractual and cooperative arrangements with the COP and other bodies,
- accept contributions and grants,
- decide and review the transparency, information and communication policies,
- examine all claims and appeals on GCF decisions and apply the redress policy.

VII. 2. The Secretariat:

Reports to, take instructions and guidance from, and implement and execute decisions of the Board.

Specific to the GCF and independent from other structures. Main

functions of the Secretariat:

To be decided by the Board, these functions should, inter alia, include:

- the service of the Board and the preparation of Board meetings and decisions,
- the preparation of GCF policies, procedures, guidelines, advices, reports,
- the day-to-day monitoring and supervision of GCF activities and financing,
- the supervision of the Trustee,
- any other task assigned by the Board.

VII. 3. The Trustee:

Selected and nominated on the basis of an open competitive process, after the interim exercised by the World Bank during a maximum of 3 years, the Trustee will:

- collect, manage, invest, disburse, monitor, control financial resources of the GCF,
- receive instructions from, be accountable and report regularly to the GCF Board.

To avoid any conflict of interest the Trustee will not be authorised to take any participation to GCF funded operations, projects and programmes.

VIII) Monitoring and Evaluation, Accountability: VII.1.

Monitoring:

Fully integrated in the life cycle of all GCF operations, the monitoring will be realised by the Implementing Entities under the supervision of the Secretariat.

Monitoring results will be consolidated in an annual report presented to the Board.

VIII.2. Evaluation:

Entrusted to an independent unit reporting directly to the Board, the evaluation of GCF activities, projects and programmes, as well as of the bodies and committees created or working under the authority of the GCF Board, will be realised by this unit or, under its supervision, will be outsourced to contracted independent bureaux.

All evaluations reports will be published on the web.

The global evaluation of the GCF performance and of the Board itself will be realised every 2 or 3 years (in relation with the Board members mandate) under the direct supervision of the COP.

VIII.3. Accountability:

The GCF uses a full decentralised management system under which Developing Beneficiaries Counties and national implementing entities play a central role, take the majority of decisions and enjoy a high degree of delegation of power and of autonomy in the entire management cycle of activities, projects and programmes financed.

Consequently, the quality and financial and fiduciary standards applied to all GCF operations (central and decentralised) must be at the level of the best international practice.

Corresponding Criteria and Standards will be decided by the Board.

Regular, independent operational and financial audits of GCF operations, risks, structures, bodies, circuits, procedures, controls and organisation will be realised under the supervision of the Board, both by internal and external auditors.

All claims, complaints and appeals will be examined, under the Board supervision.

All allegations of irregularities, fraud or corruption will be also investigated with the support of qualified auditors.

CHAPTER II: SUBMISSIONS BY TC MEMBERS ON WORKSTREAM I: SCOPE, GUIDING PRINCIPLES, AND CROSS-CUTTING ISSUES

I. Submission by Mr. Ewen McDonald (Australia)

Additional Views on Workstream I: Scope, guiding principles, and cross-cutting issues

Australia appreciates the opportunity to provide additional feedback on issues being considered under Workstream I, Scope, guiding principles, and cross-cutting issues. This submission sets out the elements of Workstream I that Australia considers should be included in the Transitional Committee's operational documents for adoption at the COP in Durban. It also describes Australia's views on objectives and principles for the Green Climate Fund.

Some of the views expressed in this submission have already been provided through Australia's initial submission under this workstream, which was submitted in May 2011.

Elements under Workstream I that should be included in the Transitional Committee's recommendations to the COP

Three key elements of Workstream I should be included in the Transitional Committee's recommendations to the COP:

Firstly, the Transitional Committee's recommendations to the COP should describe the overarching objective of the Fund through a statement of purpose. This statement should incorporate consideration of the Fund's value-add, which the Transitional Committee has discussed under this workstream.

Secondly, the Transitional Committee should recommend a set of guiding principles for the Fund.

Thirdly, and noting the linkage to the discussion on thematic funding windows and financing instruments under Workstream III, the TC should develop a description of the Fund's scope in terms of the range of activities the Fund will finance, and also how it will prioritise amongst those activities.

Text describing these elements in the Fund's Governing Instrument should be as succinct and targeted as possible. It should use plain language that is accessible to the full range of the Fund's stakeholders.

Objective of the Green Climate Fund

The objective of the Fund should be to efficiently and effectively deliver support to developing countries to undertake mitigation and adaptation activities that move economies onto climate-resilient and low-emission development pathways.

These actions should aim to contribute to the goals of holding the increase in global average temperature below 2°C and enhancing the adaptive capacity of developing countries to respond to unavoidable climate change.

Key means of achieving this objective include:

- scaling-up climate finance, including by mobilising and leveraging private sector finance;
- providing streamlined access to resources, responsive to developing countries' needs; and

- improving capacities to access and utilise climate change financing.

Principles of the Green Climate Fund

Principles underpinning the operation of the Fund should include:

1. High levels of accountability and transparency – in funding allocation, delivery and use;
2. Use of results-based approaches in allocation and project and programme management – this should take into account the different capacities and national contexts of countries;
3. Innovation – including supporting innovative programs, as well as innovations in delivery and management of finance;
4. Country-ownership and alignment with national priorities – the Fund should support and leverage national climate change and development strategies, planning and budgets in its allocation and approval processes and facilitate direct access;
5. Continuous learning and improvement – this should be supported by a strong monitoring and independent evaluation framework;
6. Consistent with global and national sustainable development strategies and goals – Fund activities should seek to maximise economic, environmental and social development impacts and be subject to rigorous environmental and social safeguards; and
7. Best-practice financial management – premised on strong fiduciary standards.

Prioritisation

In allocating resources for adaptation, the Fund should prioritise those countries that are most vulnerable to the adverse impacts of climate change and have the least capacity to adapt. In this respect, Least Developed Countries and Small Island Developing States should be prioritised.

In allocating resources for mitigation financing, the Fund should consider mitigation potential, capacity to undertake autonomous action and any broader development benefits associated with supported actions.

As noted above, results-based approaches should play a role in prioritising funding.

Other cross-cutting design features

The Fund should seek to address key needs in the climate change financing architecture and in so doing achieve complementarity in its activities and promote coherence within the architecture. For example, the Fund should have a focus on building capacity for accessing and utilising climate change finance and it should deliver funding on a large scale, and be scalable over time.

Predictability and sustainability of financing should be a feature of the Fund as far as possible. This could be achieved through a range of approaches, including a regular replenishment cycle (which would also provide opportunities to regularly review the Fund's results and objectives) and by building environments

in developing countries that promote ongoing private sector activity (noting that this presents significant challenges in some developing countries). To achieve its objectives, the Fund will need to mobilise and leverage private sector activity on climate change more effectively and to a greater scale than has been done to date.

The Fund should incorporate the successful features and strengths of other funding mechanisms, bringing them together into a single body. In so doing, it should consolidate and build on lessons learnt to date, including lessons on the delivery of finance, capacity-building, direct access, leveraging of national climate and development planning and processes, results-based approaches, and operational, fiduciary and results frameworks that promote confidence and trust that finance is being used efficiently and is delivering results.

The Fund should, at an appropriate stage of its operation, be a catalyst for rationalisation within the climate change financing architecture. Its catalytic effect would derive from consolidating the range of successes and strengths from relevant funds and its scale. Rationalisation could be considered once the Fund has been given sufficient opportunity to demonstrate the ability to sustainably deliver climate change finance at scale and to replicate key features of existing funds that both donors and recipients wish to see continued.

II. Submission by Mr. Paul Oquist (Nicaragua)

On Workstream I: Scope, guiding principles and cross cutting issues.

On the scope and mandate of the Fund, Nicaragua considers that the provisions of the Convention, in particular Article 4, paragraphs 1, 3, 4, and 5, and the relevant decisions of the COP provide a firm foundation.

Nicaragua considers that the basis, objectives and principles of the Draft Instrument or of any operational document that the Transitional Committee may recommend to the Conference of the Parties for approval; shall be the provisions of the Framework Convention for Climate Change that establish the legal obligations of the Parties, including, inter alia, Articles 11 and 4.3, 4.4, 4.5, 4.8 and 4.9; as well as the Bali Action Plan and relevant parts of the Cancun decision.

Article 4.3 of the Convention commits the developed countries to provide new and additional financial resources to meet the “agreed full costs” incurred by developing countries in complying with their obligations to provide national communications related to implementation (as set out in Article 12.1), as well as to provide such financial resources needed to meet the “agreed full incremental costs” of implementing certain measures (as set out in Article 4.1).

These measures include, in brief:

- Formulating and implementing national and regional programmes containing measures to mitigate climate change and to facilitate adequate adaptation (Article 4.1(b));
- Cooperating in the development and transfer of technologies to mitigate climate change (Article 4.1(c));
- Cooperating in the conservation and enhancement of sinks and reservoirs of greenhouse gases including biomass, forests, oceans and other ecosystems (Article 4.1(d));
- Cooperating in preparing for adaptation to the impacts of climate change, develop appropriate plans for coastal zones, water and agriculture and protection and rehabilitation of areas affected by drought, desertification and floods (Article 4.1(e)).
- Taking climate change into account in relevant policies and actions, and employing appropriate methods to minimizing adverse effects of projects or measures to mitigate or adapt to climate change (Article 4.1(f)).
- Promoting scientific and other forms of observation etc., to improve understanding of climate change and the consequences of response strategies (Article 4(g)).
- Exchange and communicate information and promote education, training and public awareness (Articles 4(h)-(j)).

Article 4.4 of the Convention commits developed countries to assist developing countries that are particularly vulnerable to the adverse effects of climate change in meeting the costs of adaptation to those adverse effects.

Article 4.5 of the Convention commits developed countries to take all practicable steps to “promote, facilitate and finance” the transfer of or access to environmentally sound technologies and know-how, and in the process to support the enhancement of endogenous capacities and technologies in developing countries.

On eligibility one of the key principles of the Fund should be, in accordance with the Convention; based on its Article 4.3, that all developing countries, without discrimination or any form of exclusion, are eligible to receive financial resources from the Fund. The public sector should be the principal recipient of funding at the national level, and it may in turn construct projects from both public and private of civil society entities. The fund should not directly deal with private or civil society entities within a country.

One of the key principles for the operation of the Fund shall be the principle of equity and common, but differentiated responsibilities between developed and developing countries enshrined in the UNFCCC Convention in order that the historical responsibilities of developed countries should be the factor

determining the distribution of the economic burden for implementing mitigation and adaptation actions in developing countries.

Another key principle of any instrument resulting from the work of the Transitional Committee shall be direct access to funding by recipient developing country Parties to ensure expedited the entire process, reduce administrative costs, and avoid the challenges and difficulties that developing countries have encountered with implementing agencies in existing funds.

It is advisable and convenient that the Fund be accountable and function under the guided authority of the Conference of the Parties, to guarantee full transparency, accountability, its multilateral character and the participation of all Parties in decision making regarding the Fund strategica.

The Conference of the Parties shall decide, inter alia, the policies, programme priorities and funding eligibility criteria related to the Convention.

As provided in the Draft Instrument tabled in the second meeting in Tokyo by a majority of developing countries; Nicaragua believes that access to the Fund shall be directly the Parties themselves or entities designated by them or, if they so wish; but not directly to private sector or civil society organizations. This is due the facts that the Fund shall be an operating entity of the financial mechanism of the Convention and that the Parties to the Convention are the States that are responsible for their commitments and obligations under the Convention as well as for their implementation.

This provision does not preclude the involvement and participation of private sector and civil society in projects at the national level under the suspension of their national governments. This will assure coherent national programs aligned with national objectives.

Furthermore, direct access to the Fund by the Parties themselves or by their designated entities or institutions is necessary to ensure the consistency and coherence of any project financed by the Fund with national obligations, commitments, priorities and action plans.

The Fund shall be country driven and demand driven and respond, inter alia, to the economic, climate, social, developmental and financial needs and circumstances of the developing countries that vary from country to country as well as across time. Therefore, there are no one-size solutions fits all countries and projects. They must be tailor made to changing national circumstances.

III. Submission by Mr. Javier Roca (Peru)

Submission by Mr. Javier Roca Fabian (Peru) on particular issues from Workstreams I and III Workstream I (Scope, guiding principles and cross-cutting issues) On Scope

Making reference to paragraph 4 of TC-2/WSI/1 document, Peru would be comfortable with any option that reflects the ultimate objective of the Convention. In addition, Peru agrees with explicit reference to the needs of **particularly vulnerable** countries, taking into consideration that access to the Green Climate Fund (GCF) should be guaranteed for all developing countries.

On Guiding Principles - Transformational Change

Peru agrees with the overall guiding principles listed in paragraph 8 of TC-2/WSI/1 document, but would like to stress the importance of paragraph 8(b) which makes reference to the generation of **transformational changes** in developing countries towards low-carbon and climate resilient growth and development.

Peru understands climate change as a variable that will constrain the country's growth and development pace, considering that our economic structure is mainly supported by natural ecosystems and resources, and the services they provide. We are completely aware that we have to incorporate climate change vision and management criteria into our national planning process. However, policy and institutional changes will have to be introduced and public pre-investment should be made in order to really achieve a low carbon intensity and climate resilient economy, and to allow efficient and effective interventions at the national and sub-national level.

In addition, in order to have real and measurable impact on fighting climate change adverse effects, the GCF must support developing countries in defining and acquiring these structural and major reforms that will constitute the basis for better and more efficient ways of investing, producing and consuming in the medium and long run.

As many other TC members have already stated and discussed, the concept of transformational change implies a higher level of **ambition** and a **broader scope** for financing as well as **constant innovation** in terms of financial and capital mobilization instruments. These three issues should be further discussed in the Technical Workshop planned for TC3 meeting in Geneva, in order to reach a common view regarding the need for **transformational change** in developing countries. Without prejudice of the outcome of the aforementioned discussion, Peru would like to share some ideas on these three subjects:

1. **Higher level of ambition:** Funded activities should contribute to superior objectives. Climate change is an economic issue that cannot be separated from countries' development, nor isolated from national policies, strategies and plans. GCF finance should enable conditions to change the BAU pathway of developing countries without putting at risk their potential for natural growth. In this process, it is important to remark that climate finance should be new and additional to ODA, since we totally agree that GCF should serve the objective of the Convention.

2. **Broader scope:** In order to have incidence on fighting climate change adverse effects, there must be a shift from the typical funding of pilot projects or isolated actions, to coordinated programs with a larger scale approach (e.g. sectoral and sub-national programs). At an early stage, pilot projects or isolated activities are useful to determine pros and cons of an intervention; but thereafter, the design and implementation of sectoral and sub-national programs must take place. In this sense, we believe GCF could be co-financing these programmatic approaches.
3. **Constant innovation:** A process of generating innovative and wide-range financial instruments must be started from the very beginning. This process should enable the involvement of the different stakeholders in the major reforms towards a low carbon and climate resilient economy. Constant innovation, also, could be associated with the principle of **flexibility**, in the sense that GCF should have a range of diverse approaches to help developing countries respond to the demands of their national contexts.

It is important to add that the concept of **transformational change** reinforces the principle of **country ownership and driveness** of the funded initiatives. Countries should be able to identify structural problems and be able to decide to what extent they want to intervene and establish solutions (i.e. what reforms they should implement).

As stated previously, these issues should be further discussed for common understanding on the Technical Workshop at Geneva.

CHAPTER III: SUBMISSIONS BY TC MEMBERS ON WORKSTREAM II: GOVERNANCE AND INSTITUTIONAL ARRANGEMENTS**I. Submission by Mr. Ewen McDonald (Australia)**

Australia appreciates the opportunity to provide further feedback on issues to be considered in Workstream II, Governance and institutional arrangements, specifically the relationship between the Green Climate Fund and other UNFCCC bodies and tools.

Australia notes discussion to date both in the Transitional Committee and in the UNFCCC negotiations on the institutional linkages between UNFCCC bodies and tools including the Green Climate Fund, Adaptation Committee, Technology Executive Committee, Climate Technology Centre and Network, the Standing Committee on Finance and the registry.

We note that the Cancun Agreements establish the Green Climate Fund as being under the guidance of and accountable to the COP. The Fund's independent status and the single line of accountability between the Fund's Board and the COP are important elements to ensure that the Fund will have institutional strength. To preserve the integrity of the Fund, the Board must have ultimate responsibility for decisions, including all funding decisions.

Therefore, thematic advisory bodies established by the COP, such as the Adaptation Committee, Technology Executive Committee and Standing Committee on Finance, and tools such as the registry, should not have formal linkages with the Green Climate Fund. Thematic bodies could provide expert policy guidance to the COP on thematic issues. The COP could then decide to take this information and incorporate it into guidance to the Green Climate Fund. Thematic bodies can also, in line with their respective roles and functions, facilitate information exchange among Parties and, by doing so, enhance action under the Convention.

The absence of formal linkages between the Green Climate Fund and the thematic bodies would not preclude them from engaging in informal dialogue with the Fund or prevent the Fund from using the tools. Such dialogue with thematic bodies should be intended to keep the Fund abreast of developments, trends, and gaps in mitigation and adaptation actions and funding.

Australia will further elaborate its views on the roles and responsibilities of the individual UNFCCC bodies and tools (other than the Green Climate Fund) through discussions in the UNFCCC negotiations over the coming months.

II. Submission by Mr. Paul Oquist (Nicaragua)

On Workstream II: Governance and Institutional Arrangements

Nicaragua considers that the Board; being the main body for the Parties to the Convention to govern, supervise, oversee and manage the Fund shall have; as foreseen in the Draft Instrument presented by a majority of developing countries Members of the Transitional Committee, the majority and several powers and functions of the Fund and shall be fully accountable to the Conference of the Parties which shall decide on its overall policies.

Nicaragua also supports that the fully independent Secretariat of this new international Fund shall perform only support, and administrative functions for the Board. The Head of the Secretariat should be approved by the Conference of Parties.

The Secretariat of the Fund shall be staffed with professionals with experience in management, administration, finance, development, climate change and other relevant fields, but this should not circumvent compliance with the United Nations principle of equitable geographical distribution of staff.

The observance of the principle of equitable geographical distribution of Secretariat staff required to avoid the replication of the current situation whereby, if not all international organizations and agencies, have most of the in staff is from the developed countries who form a minority of their membership.

The non observance of that principle could have a negative impact on the functioning of the Fund due to a lesser understanding of the socio-economic conditions of developing countries, the dynamics of the developmental processes, climate change and environmental issues, and integration of climate change/environmental concerns into economic and social plans and structures, within the context of sustainable development and poverty eradication in developing countries. This sensitivity is essential for a significant part of the senior management and other staff of the Secretariat of the Green Climate Fund.

To avoid any real, potential or apparent conflict of interest of the staff of the Secretariat of the Fund, no member of the staff shall have been associated with the Trustee of the Fund during the last 5 years prior to the start of his/her work with the Fund.

Nicaragua shares the opinion that the Trustee of the Fund, as proposed in the draft instrument by a majority of developing countries, shall have only treasury and fiduciary functions and administrative functions related to the same, and not any policy and/or decision making role regarding the Green Climate Fund, in order to avoid real potential and apparent conflicts of interest. This is particularly relevant in the case of a Trustee, like the World Bank, that has other assets and different rules and policies for its other banking and financial activities set by other governing bodies. The trustee shall also be accountable to the Fund Board for the performance of the fiduciary responsibilities entrusted to it.

The appointment of a permanent trustee for the Fund, should be through an open, transparent, equitable, accountable and competitive bidding process, to choose, the most suitable available institution as trustee. This should be based on congruence of the bid proposal with the obligation of the Green Climate Fund, the services offered, the money management strategy and use of funds derived there from, and the detailed and total cost of the foregoing; with selection following technical considerations, procedures and criteria developed by the Board and adopted by the Conference of Parties. The selection process should be completed before the expiry of the 3-year term of the Interim Trustee

CHAPTER IV: SUBMISSIONS BY TC MEMBERS ON WORKSTREAM III: OPERATIONAL MODALITIES**I. Submission by Mr. Paul Oquist (Nicaragua)****Workstream III: Operational Modalities**

The identification of the sources of funding should be an important element of the Instrument of the Fund.

The study of the Fund, as agreed by the 16 COP in Cancun, is an operating entity of the financial mechanism of the Convention; and based on the fact that the Convention commits the developed countries Parties to provide the financial resources to assist developing countries in different-areas related to climate change, the moral and legal commitment and responsibility of meeting such commitments rests on the Parties, not on their private sectors or on their civil society organizations.

This does not preclude that developed countries parties adopt domestic measures, such as tax deductions, tax exemptions, or any other incentive to encourage the contribution and assistance of their private sector and civil society organizations to meet their commitments. However, the Parties responsibility cannot be transferred by any provision of the Fund instrument to their own private sectors, much less to the private sector of developing countries.

Taking into consideration the financial services sector rescue packages that developed countries parties applied domestically during the world financial crisis that begun in 2008; there is not real ground to affirm that there are no funds available on a long term basis for meeting climate change financial obligations, or to resort to risky, speculative financial market mechanisms to raise or to increase the funds for climate change financing.

Therefore, the main source of the Fund should be public sources from the Developed Countries Parties and private sector contributions should only be considered as complementary.

Neither private sector financing nor market mechanisms are predictable and sustainable, as the Bali Action Plan envisaged for Climate Change Financing.

Furthermore, most of the activities related to climate change financing, such as information, education, capacity building, institutional development and adaptation of agriculture and human settlements, are not attractive to the private sector because they are not profitable financially speaking and in many cases do not even produce any revenue.

Any instrument of the Green Climate Fund shall establish that financial resources shall be new and additional, predictable, adequate, sustainable, measurable, verifiable and reportable and non-earmarked, and also that the financial contributions should be principally in the form of grants or on a concessional basis, based on Convention provisions and relevant COP decisions. The Convention establishes a financial mechanism to provide financial resources on a grant or concessional basis.

The Bali Action Plan calls for consideration of improved access to adequate, predictable and sustainable financial resources and financial and technical support, and the provision of new and additional resources, including official and concessional funding for developing country Parties, among other elements.

The Decision of COP 16 in Cancun also decided that new, additional, adequate, and predictable funding shall be provided to developing countries Parties.

The Bali Action Plan also links mitigation actions by developing countries and the provision of financing, technology and capacity building by developed countries, in a measurable, reportable and verifiable manner.

In order to ensure that climate change funding is predictable, adequate, sustainable, measurable, verifiable and reportable, as well as in compliance with Article 4.3 of the Convention, as well as relevant decisions of the Conference of the Parties that the provision of financial resources shall reflect appropriate burden sharing among the developed country Parties through a scale of assessed contributions, similar to the practice adopted within the United Nations should be developed.

On innovative mechanisms to generate public climate finance, Nicaragua believe that an international financial

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transaction tax (IFTT) should be levied on some financial market transactions, like foreign exchange stocks, bonds, and especially derivatives. This could generate annual revenues of hundreds of billions per year, depending on the level of the tax and the scope of transactions covered.

The definition of the Windows of the Fund will be crucial in determining if this new Fund will make a break through difference compared with the existing Funds. The Windows of the Fund should be for accessing, delivering or disbursing of the funds and not for receiving or allocating the contributions, which should be general, not earmarked and centralized.

Based on the provisions of the Convention, in particular Article 4, paragraphs 1, 3, 4, and 5, and the relevant decisions of the COP, the Fund should have, at least, the following thematic issues and Windows for the delivery or disbursing of the funds: adaptation, mitigation, technology development and transfer, information and processes taken by Parties in order to implement the Convention, capacity building and institutional development.

The use of the Windows for receiving contributions would mean the business as usual practice of earmarking the donor's contributions, heading to regional, country, and thematic imbalances of international assistance and cooperation. This would contradict the country driven and demand driven approach that the donors and international financial institutions have committed to defend. It would also make difficult the consistency and coherence of financed projects with national priorities and action plans at the national level. It may also make difficult the needed balance of the allocation of international climate change financing between mitigation and adaptation as mandated by COP-16 in Cancun. This is important to redress the current imbalance in favour of mitigation.

Workstream IV: Monitoring and Evaluation

Internationally accepted Fiduciary and financial management standards should be applied to the implementing entities to assure financial transparency and accountability.

The Transitional Committee cannot endorse the Paris Declaration on Aid Effectiveness (PDAE) or the Accra Action Agenda (AAA) or even most of their content, as some developed countries have suggested, because they are inequitable, there is no consensus on their principles.

The Paris Declaration and the Accra Action Agenda have never part of the UN process. Millennium Development Goals (MDG) number eight, related to North South relations were not included in the Paris Declaration. None of the Organizations of Developing countries like G 77 or African Union was represented, in Accra, as such, while developed countries acted together in coordination.

There are also several deficiencies on the Paris Declaration and Accra Plan, among other the following,

- The compliance tests on public financial management, budget execution procedures, audit monitoring and evaluation, procurement and social and environmental assessment are based on 12 criteria or indicators and a rating system developed by the exclusive club of the Development Assistance Committee (DAC) of the OECD. They are not based on the economic and social policies of the developing recipient countries.
- Despite the Paris Declaration of mutual accountability between donors and recipient, there is not really mutual accountability. The recipient countries are subject to penalties, including the suspension of aid, if they fail to comply with these criteria and indicators. However, there are not penalties for donor countries defaults.
- The Paris Declaration also comprises elements like investment policy, competition policy and government procurement, the so-called Singapore issues that were rejected by developing countries in the WTO.
- Aid predictability envisaged in the Paris and Accra documents on aid look like positive steps. However, there is no system in place to ensure that the predicted aid would actually materialize. Besides, there are not provisions in case the change of government in a donor country lead to a review of an earlier aid commitment.
- In the Accra Plan noted that South-South Cooperation was a valuable complement to North-South cooperation. De facto, North-South cooperation is not based on the U.N. Charter and International Law but on different principles.

In Accra, there were discussions on untying aid from the procurement of goods and services from the donor countries paid out of aid. Untying aid from the procurement of goods and services from the donor countries should also be included in the Instrument of this new Fund because usually the goods and services from developed countries are more

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expensive that relatively similar national goods and services or those from other developing countries.

However, in Accra there was not discussion of untying or delinking aid from its economic policy prescriptions from donor countries and multilateral financial institutions, such as World Bank, like deregulation, privatization and free market and trade. Any and all economic policy prescriptions should be explicitly proscribed in the Green Climate Fund Instrument.

With a view that the minimum environmental and social standards of programmes and projects to be funded by the Fund do not become conditionality, they should not be the environmental and social standards of developed countries that are higher than those applicable in developing countries. They are not realistic and viable to lower development stages. General applicable standards should be adopted by the parties.

Regarding auditing there should be an independent external auditor appointed by the Board or preferably by the COP for not more than 2 consecutive terms of 4 to 5 years.

The purpose is to submit to the Board and the COP an external opinion and report, inter alia, on the Funds accounts and financial statements, the legality and regularity of its operations, its financial and administrative management procedures and financial performance in accordance with applicable financial regulations, rules and standards.

All selection processes should be based on transparency, professionalism/competency, competitiveness and equal opportunity to all. All Parties should be invited to submit a formal proposal based on pre-established requirements. The Board should define detailed requests for proposals to clarify the requirements and conditions of engagement, and clearly outline the documentation/information that candidates should provide in the proposal. Such proposals must include at least a description of the audit approach, curricula vitae of auditors, professional experience, number and level of staff to be involved, work months and audit fees, including salaries and allowances, if any, and a confidentiality statement.

As a minimum requirements, the selection body should give due consideration in the selection process of the external auditor to the number of ongoing audit engagements in other international organizations and agencies by the audit institutions candidates; the need to diversify geographical representation of the audit institutions in the international organizations and agencies; ensuring rotation of the audit institution of the Fund; and ensuring that the country of the audit institution be different than the Fund and Trustee host country and/or of the country of the nationality of the Head of the Secretariat.

The process of selection and appointment of external auditors by the Board or the COP will be by secret ballot if there is no consensus on the candidate.

Conclusion:

The foregoing recommendation on the four Workstreams, within the work of the Co-Chairs workplan, can contribute to move forward the process towards resolving the operational documents we need to present at COP-17 in Durban.

The Member for Latin America and the Caribbean (Nicaragua); Dr. Paul Oquist, would therefore like to report that this written submission be circulated to all members, and that those recommendations be organized with the note of countries work plan, be placed within the framework of a proposed Draft Instrument tabled to date is that of the majority of the developing countries, including Nicaragua; I request that they be incorporated in that proposal.

II. Submission by Mr. Javier Roca (Peru)

Workstream III (Operational Modalities)

On the role of the private sector in climate finance

Peru believes that the incorporation of the private sector in climate financing is crucial for scaling up resources and interventions in order to achieve the goal of building a low-carbon and climate resilient economy

Different studies suggest that, for example, mechanisms like Public - Private Partnerships (PPPs) have indeed helped closing infrastructure gaps in developing countries, generating multiple co-benefits such as employment, introduction of new technologies and, in consequence, economic growth. Also, these kinds of mechanisms allow governments to transfer certain risks to private capitals, providing incentives for assets to be competitive over the projects' lifetime.

As PPPs are based on a return basis for private capitals, companies will have to be aware of the potential risks and economic impacts that climate change will generate to their investments, so they will need to incorporate these criteria on the projects design if they want to build profitable climate proof infrastructure. Then, the missing point is that many of the mentioned risks have not been quantified or even been defined yet. Here is where public finance is needed to reduce uncertainty and enable conditions for investment promotion in climate proof assets.

Peru believes that GCF should play a key role providing resources to help reducing this uncertainty and creating, or reinforcing, public mechanisms for a more efficient way of private finance leveraging.

We totally support the idea of further discussion on this issue at the Technical Workshop in Geneva.

On the funding windows

Document TC-2/WSIII/4 suggests three clusters of thematic funding windows that will constitute the structure of the GCF: by scope, by geography and by instruments/modalities.

Peru would like to stress its preference for the first cluster of views, the scope approach, as it reflects the negotiation process of the Convention, process that has generated our discussions around the GCF. We believe that this approach promotes the integration of the different initiatives from different stakeholders around one issue, facilitating a shift from isolated actions to major (adaptation, mitigation) programs.

Peru considers that there should be three main thematic funding windows: adaptation, mitigation and REDD+. All of them involving capacity building and technology transfer as cross cutting issues or as a sub-windows of the main ones mentioned before. We do not see the viability of having separate windows for tech transfer or capacity building, as these are issues that, in nature, pursue greater goals such as adaptation or mitigation.

In addition, we do not believe that it is appropriate to have a geographic approach as it will contribute to generate differences between developing countries. Furthermore, we do not share the view of having an instrument/modalities approach, in the sense that we do not see how this view could help to have a broader scope of intervention and avoid duplicity of actions.

We are open to discuss hybrid options of the three clusters, provided they reflect effectiveness and a **transformational change** view.

CHAPTER V: SUBMISSIONS BY TC MEMBERS ON WORKSTREAM IV: MONITORING AND EVALUATION**I. Submission by Ms. Marisa Lago (United States of America)****August 23, 2011**

As we have outlined in previous submissions, the United States puts great emphasis on this workstream's focal area. Many TC members, including the United States, have emphasized the need to develop a robust and independent evaluation mechanism. We would like to further clarify the U.S. view of the Green Climate Fund's (GCF) evaluation mechanism and the appropriate reporting relationships that permit it to maintain its independent functions.

As stated in the U.S. submission to Workstream II, the Cancun decision spells out explicitly the nature of the relationship between the GCF and the Conference of the Parties (COP), using language that mirrors the language in Article 11 of the Convention. Under that Article, an operating entity functions under the guidance of and is accountable to the COP with respect to policies, program priorities, and eligibility criteria related to the Convention. The GCF, as a distinct operating entity, would act under the guidance of and be accountable to the COP through an appropriate set of arrangements to be negotiated between the Board and the COP.

Within this overall framework, the Board will be accountable to the COP for all of the activities of the GCF and can provide reports or other information to the COP based on the arrangements negotiated between the Board and the COP. Components of the Green Climate Fund, including the Secretariat and units of the integrity mechanism, should reside entirely within the GCF and report either to the Board or to appropriate offices within the GCF as determined by the TC in a framework document or by action of the Board.

As one of the units of the integrity mechanism, the independent evaluation mechanism should also reside entirely within the Green Climate Fund (GCF) and report solely to its Board through the evaluation mechanism's director. The director of the independent evaluation mechanism will not report to the Secretariat, thereby ensuring its independence from GCF management and giving it access to Board leadership to report on its findings. The Board, which is directly responsible for the GCF's operations, will be able to take into account the findings of the independent evaluation mechanism in its operational decisions.

The approach described here would follow a well-established precedent for designing independent evaluation mechanisms incorporated in all of the multilateral development banks and other funds such as GAVI and the Global Environment Facility (GEF). The case of the GEF is instructive. The GEF has an independent evaluation office which produces quadrennial overall performance reports, and it does not report to the COP but instead reports directly to the GEF Council. Meanwhile the COP, through the SBI, has commissioned several reviews of the financial mechanism of the Convention, and has used the product of the evaluation unit as a basis for its own assessment (see decision 2/CP.16). The COP can choose to continue such periodic assessments of the financial mechanism to consider how COP guidance was followed. Ultimately, it is for the COP to determine what process it will undertake for its periodic assessments of the financial mechanism, and not for the Transitional Committee to decide. Any such assessment should be distinct from focused and particularized work to be undertaken by the independent evaluation mechanism of the GCF as directed by the Board.