

Draft outline of the report of the Transitional Committee for the design of the Green Climate Fund to the Conference of the Parties

Note by the Co-Chairs and Vice-Chairs

Introduction

The Conference of the Parties to the UNFCCC (COP) in its decision 1/CP.16 entrusted the Transitional Committee (TC) with the design of the Green Climate Fund (GCF) and requested it to develop and recommend operational documents for approval by the COP at its 17th session to take place in Durban (South Africa) on 28 November to 9 December 2011. At its first meeting in Mexico City, the TC organized its work in four workstreams and entrusted two Co-facilitators for each workstream to lead the work.

At its second meeting in Tokyo, the TC agreed on a workplan to undertake its remaining work and fulfil its mandate and provide operational documents for adoption at the COP 17. The TC requested the Co-Chairs, the Vice-Chairs, and the Co-facilitators to prepare a draft outline of the report of the TC to COP 17. The TC members were also invited to submit their views and comments on issues raised at the second meeting of the TC and issues to be discussed at third meeting of the TC by 29 July 2011.

TC members have submitted their views and input on specific issues and on the outline of the report of the TC. The submissions were compiled and presented in compilation documents 8, 9 and 10.

In light of the work undertaken under the workstreams, the Co-facilitators of the four workstreams reviewed these submissions identifying key issues and highlighting substantive content where there is convergence among TC members or main options where there is divergence.

Based on the input and any assessment provided by the Co-facilitators, the Co-Chairs and Vice-Chairs have prepared a draft outline of the report of the TC to COP 17. The outline consolidates the work of the four workstreams, identifies areas of convergence and highlights the issues that require further discussion. As agreed through the workplan, this draft outline is intended to facilitate discussions at the third meeting of the TC. Further information, including some of the options proposed in submissions for areas where there appears to be a divergence of perspectives, is presented in a background information note (TC-3/INF.1).

The draft outline presented below was prepared by the Co-Chairs and Vice-Chairs in light of the input from the Co-facilitators. The document is intended to help the TC focus on those areas that require further discussion among its members. In the process of finalizing the report of the TC to COP 17, the TC will have to take collective ownership of the document, and this draft is aimed at laying the foundations for this process.

Draft Outline of the Report of the TC to COP 17

I. Definitions

To be developed

II. Objectives

Is there potential convergence on following main elements?

- Provision of substantial, new and additional and predictable financial resources for climate action in developing countries;
- Contribution to transformational change in developing countries;
- Limitation and reduction of emissions of greenhouse gasses;
- Reduction of vulnerability and building of resilience to climate change;
- Contribution to the ultimate objective of the UNFCCC; and
- Consistency with national development priorities.

III. Guiding Principles

Is there potential convergence on following main elements?

- The relevant principles and provisions of the Convention, in particular the relevant provisions of Article 11;
- Operating under the guidance of and accountability to the COP;
- Scalable and grow over time;
- Mobilization of additional public and private resources for climate action in developing countries;
- Strong country ownership in identification, formulation and implementation of policies, programmes, projects and other activities;
- Streamlined, improved and direct access to funding by developing countries;
- Result-based approaches;
- Efficiency and effectiveness in the management of resources;
- Governance with equal representation of developed and developing countries;
- Transparency, accountability and internationally accepted fiduciary standards;
- Continuous improvement based on monitoring and evaluation;
- Participation of civil society and private sector;
- Application of environmental and social standards;
- Realization of environmental and social co-benefits, including gender aspects.

IV. Scope

Is there potential convergence on following main elements?

- Programmatic approach to funding;

- Range of activities in developing countries at national, sub-national and/or regional levels;
- Leveraging of private sector investment;
- Enabling enhanced action on mitigation, including REDD plus, adaptation, technology development and transfer, and capacity building;
- Balance between adaptation and mitigation.

V. Governance and Institutional Arrangements

1. Green Climate Fund Board

(a) Composition

Guidance from decision 1/CP.16:

- The Board will have 24 members, comprising of an equal number of members from developing and developed country Parties.
- Each Board member will have an alternate member.
- Representation from developing countries will include representatives of relevant United Nations regional groupings and representatives from small island developing States and the least developed countries.

(b) Selection of Board members

To be discussed: the process of nomination and role of the COP.

(c) Term of membership

Is there potential convergence on following main element?

- Two years and a maximum of two consecutive terms.

(d) Chair and Vice-chair

Potential convergence:

- Elected by the Board members for a period of one year.
- One a member from a developed country Party and the other a member from a developing country Party.

(e) Decision-making

Is there potential convergence on following main elements?

- Consensus whenever possible;
- Otherwise voting.

To be discussed: Voting procedures to be determined, possibly by the Board.

(f) Role and Functions

Is there potential convergence on following main elements?

- Supervision, strategic direction and management of the Fund;
- Independence in decision-making with regard to funding projects and programmes;

- Oversight of components of the GCF;
- Approval of operational modalities, policies and guidelines;
- Approval of funding;
- Development of fiduciary standards and environmental and social safeguards;
- Development of criteria and application processes for accreditation of implementing entities;
- Accreditation of implementing entities;
- Establishment of sub-committees and panels, as appropriate;
- Establishment of framework for monitoring and evaluation and its operation;
- Review and approval of administrative budget;
- Performance reviews and audits;
- Reporting to the COP;
- Arrangements with other relevant bodies of the UNFCCC and other institutions;
- Other operational functions as appropriate.

To be discussed: Role of the Board and/or the COP for additional functions, including:

- *Development/approval of legal and administrative arrangements for secretariat services and the interim trustee;*
- *Appointment of head of the Secretariat and other officials;*
- *Commissioning of independent evaluation.*

(g) Observers

Is there potential convergence on following main element?

- Meetings of the Board open to all accredited observers.

(h) Rules of Procedure

Further rules of procedures to be developed, possibly by the Board.

2. Secretariat

(a) Establishment of Secretariat

Is there potential convergence on following main elements?

- Establishment of independent secretariat;
- Head of the secretariat to be accountable to the Board;
- Head of the secretariat responsible for organization, appointment and dismissal, and oversight of secretariat staff.

To be discussed: The role of the Board and/or the COP in establishing the secretariat and selecting the Head of the Secretariat.

(b) Functions

Is there potential convergence on following main elements?

- Responsible for the day-to-day operations of the Fund;
- Provision of financial, legal, and administrative support to the Board;
- Reporting information on the Fund's activities to the Board and the public;

- Monitoring and evaluation;
- Knowledge management;
- Liaising with Parties and implementing entities;
- Cooperation with international and multilateral institutions and agencies;
- Development of work programme and annual administrative budget;
- Operationalizing the project/programme cycle;
- Performing any other functions assigned by the Board.

3. Trustee

(a) Role and functions of trustee

Guidance from decision 1/CP.16:

- Administrative competence to manage the financial assets of the GCF, maintain appropriate financial records and prepare financial statements and other reports required by the Board of the GCF, in accordance with internationally accepted fiduciary standards;
- Administer the assets of the GCF only for the purpose of, and in accordance with, the relevant decisions of the GCF;
- Hold the assets of the GCF separate and apart from the assets of the trustee, but may commingle them for administrative and investment purposes with other assets maintained by the trustee; and
- Establish and maintain separate records and accounts to identify the assets of the GCF.

(b) Selection

Guidance from decision 1/CP.16:

- The World Bank as interim trustee for the GCF subject to a review three years after operationalization of the Fund.

To be discussed: Should procedures and criteria for selection be developed by the Board or by the COP?

(c) Relationship with the Board

Guidance from decision 1/CP.16:

- Accountable to the Board of the GCF for the performance of its fiduciary responsibilities.

4. Relationship to the Conference of Parties

Guidance from decision 1/CP.16:

- Arrangements to be concluded between the COP and the GCF to ensure that the GCF is accountable to and functions under the guidance of the COP.

To be discussed: Details of the arrangement, including:

- *Accountability and reporting of the GCF components to the COP;*
- *Relationship with relevant thematic bodies established under the Convention.*

VI. Legal Status

To be discussed: Should the GCF be endowed with legal personality or legal capacity, as well as privileges and immunities for the GCF and/or its officials? If so, what should the process be of conferring such status?

VII. Participation/membership

To be discussed: Depending on the choice of the legal status of the GCF, the participation/membership of Parties to the UNFCCC in the GCF is to be determined.

VIII. Financial Inputs

Is there potential convergence on following main elements?

- Funding from a variety of sources, including from public and private sectors, and innovative sources of financing at both international and national levels where applicable;
- Leverage additional financial resources from multilateral, bilateral and private sector sources;
- Multi-year replenishment process to mobilize financial inputs from governments.

To be discussed: guidelines for contributions, including option of earmarking.

IX. Financial Instruments

Is there potential convergence on following main elements?

- Mix of various financial instruments, including for mobilizing private sector investment;
- Results-based financial instruments, including payment for verified results;
- Grants and a variety of non-grant instruments, including concessional loans and guarantees.

X. Operational Modalities

1. Eligibility

Is there potential convergence on following main elements?

- Policies, programmes, projects and other activities in developing countries;
- Activities to include measures on adaptation, mitigation (including REDD plus), technology development and transfer, and capacity building;
- Funding proposals to include elements of national climate strategies/plans, programmes.

To be discussed: eligibility of funding for agreed incremental and/or full cost of activities.

2. Funding Windows

Is there potential convergence on following main elements?

- Initial funding windows for adaptation, mitigation and REDD plus;
- Resources for capacity building and technology development and transfer, as cross-cutting themes to be provided across all thematic funding windows and sub-structures;
- Dedicated support upon request for readiness and preparatory activities;

- Dedicated support and processes for the engagement of the private sector;
- Board to be able to add and remove windows and sub-structures as appropriate;
- Board to be able to appoint sub-committees to oversee operations of windows and substructures as appropriate.

To be discussed: List of initial windows and further operational aspects.

3. Access Modalities

Is there potential convergence on following main element?

- Direct and/or through accredited multilateral and international partners, chosen by recipient country.

To be discussed: possible links to national plans and coordination mechanisms to enhance country-driven transformational change.

4. Accreditation

Is there potential convergence on following main elements?

- Accreditation process for implementing entities based on specific accreditation criteria;
- Accredited implementing entities accountable to the Fund for activities for which they receive finance from the fund.

5. Allocation

Is there potential convergence on following main element?

- Board to ensure balance between adaptation and mitigation.

To be discussed: system for allocating resources among recipients, possibly distinguishing between initial phase and regular operations.

6. Fiduciary Standards

Is there potential convergence on following main element?

- Internationally accepted fiduciary standards at the national, regional and local level, to all operations, projects and programmes financed by the Fund.

To be discussed: tailoring fiduciary standards to account for differences between countries.

XI. Environmental and Social Safeguards

Is there potential convergence on following main element?

- Internationally recognised standards on environmental and social safeguards, considering specific national circumstances and project types and sizes.

XII. Engagement of the Private Sector

Is there potential convergence on following main elements?

- Promotion of scaled-up private sector investment, including through technical assistance, demonstration projects, public-private financing approaches, and programmatic and sectoral initiatives;

- Leveraging private finance at national and international levels;
- Special attention to local private sector actors; and
- Special support for private sector enabling activities in SIDS and LDCs.

To be discussed: The need for a dedicated private sector window or facility.

XIII. Monitoring and Evaluation

Is there potential convergence on following main elements?

- Regular monitoring of the programmes and projects for efficiency and effectiveness;
- Independent evaluation unit as part of the core structure of the GCF to evaluate and report on the performance of the Fund;
- Board to periodically report to the COP on findings of the independent evaluation unit;
- Results measurement framework with detailed guidelines and appropriate performance indicators.

To be discussed: Role of the COP in overall performance review of the Fund.

XIV. Accountability Mechanism

Is there potential convergence on following main elements?

- Information disclosure policy for the operations of the GCF;
- Independent integrity unit;
- Redress mechanism to receive complaints, evaluate and make recommendations.

To be discussed: detailed scope and functions of mechanisms.

XV. Stakeholder Input and Participation

Is there potential convergence on following main element?

- Guidelines to be developed for the participation of stakeholders including civil society organizations in the operations of the GCF.

XVI. Closing Provisions

To be developed.

Annexes (as appropriate)