

### **Submissions by members of the Transitional Committee**

On 14 May 2011 the Workstream I and III Co-Facilitators invited feedback, in form of submissions, to a set of questions, from Transitional Committee (TC) members and observers, including United Nations organizations, inter-governmental organizations (IGOs) and non-governmental organizations (coordinated through their constituencies focal points), in order to guide discussions on Workstream I and III at the first technical workshop of the TC scheduled for 30 May to 1 June 2011.

The Secretary to the TC has received 11 such submissions from TC members by 25 May 2011. In addition, he received two submissions on other issues, including the Co-Chairs' summary report on the initial meeting. These submissions are attached and reproduced without formal editing.<sup>1</sup>

The submissions received from observers have been uploaded on UNFCCC (website: [http://unfccc.int/cancun\\_agreements/green\\_climate\\_fund/items/5869.php](http://unfccc.int/cancun_agreements/green_climate_fund/items/5869.php)).

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<sup>1</sup> 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 : VIEWS OF MEMBERS OF THE TRANSITIONAL COMMITTEE ON WORKSTREAM I: SCOPE, GUIDING PRINCIPLES, AND CROSS-CUTTING ISSUES

### I. Submission by Mr. Ewen McDonald (Australia)

Australia appreciates the opportunity to provide initial feedback on issues to be considered in Workstream I, Scope, guiding principles, and cross-cutting issues. We look forward to working with Transitional Committee colleagues, the Transitional Support Unit, observers and other stakeholders to further analyse and consider these issues and provide more substantive input as the work progresses. Australia will look to consult with domestic and international stakeholders over the coming months across the different workstreams to inform the consideration and ultimately recommendations of the Transitional Committee.

In all workstreams it will be important to identify areas of cross-over between workstreams and key areas for information gathering and analytical work to inform the considerations of the Transitional Committee. Value could be added to the consideration of a number of issues under this workstream by collating lessons learned and background on existing financing mechanisms, funds and entities, both in the climate change area and more broadly. The issues covered in this workstream also consistently point to the importance of obtaining the views and input of a range of stakeholders.

#### **Objectives and principles**

##### **1. How should/could this Fund be different from existing climate funds?**

The Green Climate Fund (The Fund) should be designed to be responsive to the needs of developing countries to respond to climate change, to be attractive to donors and to operate effectively and efficiently.

The Fund has the potential to channel a significant amount of future funding flows to address the climate change needs of developing countries. It will therefore be important that the Fund works to complement the broad range of existing international financial architecture. The Fund should leverage the efforts and lessons learned of multilateral and regional international funds, bilateral efforts and the private sector. An assessment of the scope of the existing climate funds will provide a good basis to inform the focus and direction of the Fund.

The Fund will need to be flexible, responsive and innovative. It should also be able to facilitate and maximise investment from a range of sources, including the private sector and be able to utilise a range of financing options.

Some key elements which differentiate the Fund from existing climate change funds are set out in the Cancun Agreements. These include that the Fund will have:

- Representative governance, including equal representation of developed and developing countries on the Fund board;
- A direct access modality; and
- Be accountable and under the guidance of the Conference of the Parties and to only one Convention – the UNFCCC.

Other key points for the Transitional Committee to consider in designing the Fund include:

- **Efficiency** of fund management and distribution;
- **Country ownership**, through supporting direct access and other mechanism that increase ownership of projects and links to country's strategic priorities;

- Ability to leverage **private sector investment**;
- Ability to significantly **scale-up** climate change investments; and
- **Complementarity** to other international funding avenues.

Some existing funds have a number of these characteristics, including the Climate Investment Funds, and can be used as examples for designing the Fund.

**2. Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements. How can these be further developed, enhanced and operationalized?**

The Green Climate Fund should be designed in line with a number of key principles:

- **efficiency and effectiveness** to enable funds to be disbursed and used well and to deliver results;
- **results-based** to produce outcomes for developing countries and the global climate;
- **country led** to promote inclusiveness and fairness;
- accessibility, including enabling **direct access**, as we recognise that this is crucial to developing countries and a way to help deliver future climate finance at scale;
- **flexibility** to enable the Fund to accept a range of sources of finance and deliver through a range of financial instruments, including innovative instruments;
- **attractiveness for investment** from the public and private sectors to enable the Fund to achieve ambitious and sustainable results;
- efficient, effective and equal **representative governance arrangements**, suited to the objectives and size of the Fund; and
- **robust fiduciary standards** to provide confidence and ensure effective use of funding.

Consideration of principles that other successful funds have instituted can assist to identify the appropriate principles for adoption under the Fund.

Of the principles identified in 1/CP.16, Australia notes that other workstreams will have key responsibility for work towards their operationalisation. For example, fiduciary standards (workstream II), evaluation of performance (workstream IV), and appropriate advice and stakeholder participation (workstream III). To avoid duplication of effort, the detail related to adopted principles should be addressed as part of the work of relevant workstreams, rather than be considered in workstream I.

### Thematic scope

- 3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?**
- 4. Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?**
- 5. The Cancun Agreements refer to "balance" between mitigation and adaptation. How do we define and achieve "balanced allocation" between adaptation and mitigation?**

The questions on thematic scope for workstream I should focus on the overall scope of the Fund (i.e. should the Fund cover adaptation, mitigation, REDD+, capacity-building and technology transfer as outlined in the Copenhagen Accord?) and should point to what this might mean for

management of the Fund (i.e. the need for thematic windows). Decisions on the number and categories of thematic windows to adopt, or other management or systems required to implement this scope, should then be considered under the relevant workstream (i.e. thematic windows is listed for consideration under workstream III).

### **Size and scalability**

#### **6. What is the foreseen size of the GCF compared to other existing funds?**

#### **7. What is meant by “large scale” in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?**

Australia recognises that the Green Climate Fund has the potential to channel a significant amount of future climate change financing and has the potential to be significantly larger than other existing climate funds. As the question of size and resourcing the Fund remains the subject of negotiations under the UNFCCC, discussions on this issue by the Transitional Committee should remain broad and be informed by UNFCCC discussions.

Rather than consider a precise minimum or maximum scale for the Fund, it may be useful to consider potential ranges, for example, more significant than the Climate Investment Funds. The Fund is likely to grow in size over time, so it should be designed to be scalable. This would allow Fund design to be aligned accordingly while also providing flexibility for consistency with future decisions taken in the UNFCCC.

#### **8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?**

As there is not yet an agreed volume goal the Green Climate Fund should be scalable over time. Australia anticipates that the Fund will need to grow over time, particularly as it builds its credibility, demonstrates its ability to deliver and resources come online.

Experiences of other multilateral funds or organisations that have adopted a similar approach, or have experience having scaled up over time, will be useful in informing the work on this area. Examples could include the Global Environment Facility, relevant Multilateral Development Banks and the Climate Investment Funds.

It will be important for the Transitional Committee to consider the design implications of a scalable Fund and this workstream should therefore provide advice to other workstreams on areas that could be impacted by scalability, including secretariat, reporting and evaluation arrangements.

### **Country-led and results-based approaches**

#### **9. How could the GCF encourage the application of the country led principle?**

Application of the country led principle could be considered in a number of aspects of fund design, including:

- Processes and modalities for accessing funding – such as enabling direct access modalities and linking project funding to country strategies, including nationally appropriate mitigation actions (NAMAs), national adaptation programs of action (NAPAs) and low-emissions development strategies (LEDS); and
- Governance – ensuring representation of key constituencies on the Fund Board and equal representation of donors and recipients as outlined in the Cancun Agreements.

Workstream I should work with other relevant workstreams to ensure the country-led principle is incorporated into consideration of relevant issues. Workstream I should also consider best practice guidance and principles for aid effectiveness such as the Paris Declaration and Accra Agenda for Action. Principles of ownership, alignment, harmonization, results and mutual accountability should be considered and applied in the design of the Green Climate Fund.

**10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?**

The Green Climate Fund should have a sound governance and management framework, which includes environmental and social safeguards, together with internationally accepted fiduciary standards. The Transitional Committee should look to leverage existing safeguards and standards where appropriate, noting that some thematic areas that could be covered by the Fund (e.g. REDD+) may require specific or additional safeguards that are still under discussion.

Standards and safeguards should be applicable across different funding modalities and across thematic areas. However, the design of the Fund should also consider how these standards and safeguards can be applied on a risk management basis to ensure funding can be distributed in an efficient and timely manner (for example, whether there should be varying application by funding volume or project size).

The safeguards that are used in existing funds, such as the Adaptation Fund, Least Developed Countries Fund, the GEF and Climate Investment Funds, should be examined as a useful input.

**11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?**

It is important for the Green Climate Fund to establish a results framework(s) that is applicable across the Fund, but also has the flexibility to recognise the unique nature of different thematic areas. This will enable a consistent framework to be applied whilst also allowing results expectations to be appropriately targeted to activities. The results framework should include measurable indicators across all thematic areas. Building on input-based indicators currently used, the Fund should ultimately aim to evolve into an outcomes based results framework. Australia supports the early establishment of a robust results framework to ensure it underpins all projects from funding commencement and can be refined over time. A number of existing international funds have results frameworks that can inform the Fund, for example the Climate Investment Funds and the GEF.

**Complementarity and value added**

**12. What should be the value-added of the design and operations of the green Fund?**

This is a key question for the Transitional Committee to consider given the range of existing climate funds and private sector activity on climate change. The Fund should avoid duplication of efforts and should dovetail with, and capitalize on, existing funding being delivered through other international avenues.

The Committee should actively seek the views of a broad range of stakeholders to inform consideration of this issue. Some key areas to be considered, where the Fund could add value in international climate finance, include:

- Scale of financing;
- Use of innovative financing mechanisms;
- Harnessing international commitment and ownership of the Fund by all Parties; and
- Learning from the lessons of previous and existing funding mechanisms and entities.

### **13. What role should the GCF play among climate finance entities?**

In principle rationalisation of climate change funds, entities and mechanisms is something that Australia supports. However whether this occurs as a result of design of the Green Climate Fund will in part be determined by the effectiveness, efficiency and flexibility of its design and operation.

If designed appropriately, the Fund has the potential to be a key multilateral funding mechanism for climate change action internationally, bringing together existing climate change funding entities to ensure a cohesive and integrated approach to climate change funding. An effectively designed Fund will provide an opportunity to harness multilateral climate change funding on a scale not previously seen.

However, it is possible that other multilateral funding mechanisms will remain and the Fund will need to complement and coordinate with these, and other bilateral and plurilateral funding channels.

### **14. How will the GCF ensure complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?**

The design of the Green Climate Fund should be informed by views from entities currently undertaking or supporting international climate change action. The Transitional Committee should review existing entities and lessons learned and in light of this, consider the respective roles of existing entities, their comparative advantages and potential links to the Fund. Once the Fund is operational there will still be bilateral and regional climate change funding as well as potentially other multilateral entities operating. It is important that complementarity between these is identified and there is a mechanism for information sharing and cooperation. This is an area the Transitional Committee should consider in identifying the relationships between the Fund and other funds or entities.

## II. Submission by Mr. Idrissa Ouedraogo (Burkina Faso)

### Objectives and principles:

#### Suggested questions/issues

#### **How should/could this Fund be different from existing climate funds?**

The creation of the GCF is an opportunity to make the existing climate finance landscape **transformational**. At present, access to finance remains unequal, funding is not operating in a highly catalytic manner, and there is insufficient integration with development planning. Hence there is a lack of economy-wide impact. The GCF is a tool to leverage these existing instruments by promoting the power to blend resources at the national level. Through a targeted approach the role of the GCF can provide the “glue” that brings international assistance on climate change together and so addresses these issues.

#### **Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements (see annex below) How can these be further developed, enhanced and operationalized?**

Given the magnitude of finance needed to address the climate change challenge, the GCF is a major opportunity to transform economies and societies toward sustainable production and consumption patterns while reducing GHG emissions in a pro-poor, pro-MDG, pro-growth manner. The Cancun Agreements made it clear that it is essential to have human development at the center of the GCF’s mandate and not focus on financing projects that reduce Greenhouse gases only.

### Thematic scope:

#### Suggested questions/issues:

#### **How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?**

Human development and poverty reduction should be part of the goals and objectives of the GCF, including contributing to MDG achievement and benefit to all countries (and not only the major emitter countries). Indeed the GCF should not only invest in GHG reductions, but also build the capacity of governments, at all levels, to take informed and rational policy and investment decisions that reduce emissions and lead to long term and equitable sustainability. The Fund should be transformational in nature (transform production and consumption processes) and not only promote best practices and diffusion of best available technology. Indicators should be developed to assess this transformational impact. As such the Fund should also support research and development and south-south cooperation.

The thematic funding windows can be:

- Research and development and south-south cooperation
- Production and consumption transformation process
- GHG reductions
- Adaptation

#### **Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund’s capital grows in size or/and new needs are identified?**



**The Cancun Agreements refer to “balance” between mitigation and adaptation. How do we define and achieve “balanced allocation” between adaptation and mitigation?**

**Size and scalability;**

**Suggested questions/issues**

**What is the foreseen size of the GCF compared to other existing funds?**

The GCF should be catalytic in scope and be a flexible instrument that is able to respond to all developing country needs, including the poorest and most vulnerable. The diversification of sources of climate finance in recent years has largely benefitted larger economies, but a future financial architecture must allow access for all developing countries. Sources of finance should be flexible enough to support the design and deployment of public finance for any developing country context.

**What is meant by “large scale” in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?**

One major way to achieve scalability is to build the capacity of national and local governments and other relevant stakeholders to make them able to take informed policy and investment decisions. In other words, capacity building should constitute a large part of the activities the Fund supports and should be part of every single investment project (and thus not be a stand alone, isolated activity).

**Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?**

**Country-led and results-based approaches;**

**Suggested questions/issues**

**How could the GCF encourage the application of the country led principle?**

To achieve a country-led fund, countries must be in the driving seat in making decisions on climate finance. The GCF should support countries to have the political and institutional leadership, knowledge and technical capacity, financial and fiduciary management and accountability systems to take advantage of the multiple sources of climate finance available and make flexible, robust decisions on climate change in line with low-emissions, climate-resilient development.

**What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?**

To this end most of the staff supported by the Fund should be located at the national level.

**How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?**

**Complementarity and value added;****Suggested questions/issues****What should be the value-added of the design and operations of the green Fund?**

The creation of the **GCF is an opportunity to make the existing climate finance landscape transformational**. At present, access to finance remains unequal, funding is not operating in a highly catalytic manner, and there is insufficient integration with development planning. Hence there is a lack of economy-wide impact.

**What role should the GCF play among climate finance entities?**

The GCF is a tool to leverage these existing instruments by promoting the power to blend resources at the national level. Through a targeted approach the role of the GCF can provide the “glue” that brings international assistance on climate change together and so addresses these issues.

**How will the GCF ensure complementarity between the Fund’s activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?**

### III. Submission by Ms. Naoko Ishii (Japan)

Following questions could be added for TC members' consideration;

**[Thematic scope]**

- What is the purpose and benefit of setting thematic funding windows? It is critical for TC members to discuss and agree on why thematic windows should be created, as members may have different reasoning to support the idea.
- There are different types of financial mechanisms (such as Climate Investment Funds, Global Environment Facility, World Bank and IDA) in the global financial architecture which provide financings to several thematic areas in climate change. We should compare these financing structures taking into consideration efficiency and effectiveness.
- How could GCF provide effective and efficient governance for each of and across thematic funding windows?
- Will funding windows be set for thematic areas (e.g. mitigation and adaptation) only or for different funding sources (e.g. private sector financing) as well?

**[Size and scalabilities]**

- In order to answer a key question raised in the note of what the right balance between adaptation and mitigation is, it would be helpful if the analysis is provided and shared by all TC members on the current best estimate on the needs for adaptation and mitigation. Could TSU provide TCs with summary of reliable estimates on both needs by conducting analytical review on the existing quality reports on the needs and estimated size for adaptation and mitigation?
- The above proposed analysis could also include the information on how much needs are already met by existing financial mechanism, including public and private capital and MDBs finance.

**[Country-led and results-based approaches]**

- What are key elements that will constitute country-led principle? It will be critical for TC members to share the view on what "country-led principle" means, as it may mean different things to different stakeholders. Common understanding of the concept of country-led principle will help design the financial modalities of GCF.
- What are the lessons learned of the country-led approach from existing financial mechanisms?
- Co-facilitators' note addresses important questions about ensuring the country-led principle alongside the application of safeguards and fiduciary standards. In this regards, in designing direct access modalities, it is critical to establish effective and efficient monitoring mechanism in response to social safeguards and fiduciary standards.

**[Complementarity and value added]**

How should the GCF cooperate with other frameworks that will be established based on the Cancun Agreement? What will be a desirable relationship between GCF and existing institutions under UNFCCC?

#### IV. Submission by Ms. Bernarditas Muller (Philippines)

The heading of "workstream" I: Paragraph 97, relegated to the footnote, is the decision on long-term finance which is to be delivered through the Green Climate Fund. It is not a mere declaration of guiding principles as stated in this paper. It should be cited in full and provide the main elements of the work to be done under "workstream" I. Bits and pieces of the TOR (para. 1 c ) and para. 99 should be deleted or else quoted in full. Moreover, these paragraphs are not in the same level, as para. 97 is a decision taken by the COP, as well as the whole TOR, but not para. 99 which only "agrees" with para. 1 (e) of the Bali Action Plan which is then substantively altered in its meaning in para. 99.

In general, therefore, it would be best to relate the work of the "workstreams" to specific sub-paragraphs in para. 1 of the TOR (found in Annex III, not Appendix III, of Decision 1/CP.16), taking into account that these sub-paragraphs remain open to additions ("inter alia" in paragraph 1, in the chapeau) rather than to parts, chosen arbitrarily, of the relevant paragraphs in Decision 1/CP.16. It should also specify the relevant paragraphs in the Convention and in particular Article 11 that would be used to determine the work to be done under each "workstream".

There is in particular paragraph 3 of Article 11 which provides a listing of elements to be included in legal arrangements that have to be concluded with the operational entity of the financial mechanism, especially paragraph 3 (d) on the "determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed."

Para. 6 on the "size" of the Fund, this therefore cannot be "foreseen", and especially not in terms of the size of other funds, which have clearly been shown to be inadequate and unpredictable, but rather, ways must be explored in which "the amount of funding necessary and available for the implementation of the Convention" can be determined. There is previous experience and mechanisms on doing this under the Convention.

We have decided in para. 97 that "in accordance with the relevant provisions of the Convention, scaled-up, new and additional, predictable and adequate funding 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." There are already a series of questions to be asked in this paragraph alone, that would differentiate it from other existing funds that have not taken these into account at all in their climate change financing.

On "country-led and results-based approaches", paras. 9, 10 and 11- I do not find these in either the decision, in the financing chapter, or in the TOR. I also do not understand the linkages that are made in para. 10 on "ensuring" country-led "principle" with "the application of environmental and social safeguards as well as internally-accepted fiduciary" standards and sound financial management." And where is it in either the decision or in the TOR made mention of "results-based approaches among different thematic areas", even if I pretended to understand what that meant. All these paragraphs sound suspiciously like the conditionalities placed on current climate change financing by existing financial institutions that have made this financing so ineffective all these years.

The same goes for "complementarity and value added." On para. 14, in particular, the TOR does not say that the GCF will "ensure" complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions, but rather "enhance" (Annex III, paragraph 1 (e)), precisely because one cannot "ensure" anything with institutions that are subject to other governing bodies.

The decisions taken under Decision 1/CP.16 in paragraphs 97 and 100 should be fully examined, not as principles but as decisions to be operationalized through this Green Climate Fund. The Annex of "workstream" I should be amended accordingly. Para. 102 of Decision 1/CP. 16 establishes and defines the Green Climate Fund and does not merely state its "purpose."

The "principles" are the main objectives of the Fund and should first of all include para. 97 of Dec. 1/CP.16.

References to the TOR contained in the Annex to Decision 1/CP.16 (not, once again, its "Appendix"), should be quoted in whole, and not in bits and pieces which then take them out of context and distorts the nature of the task to be accomplished. It would also help if the papers could be prepared in accordance with Decision 1 /CP.16, without introducing elements that are not in this decision, or in the Convention, so as to save time.

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

It is important for this workstream to cover the GCF's objectives, principles and links to the existing climate change architecture. These issues are covered in items 2 and 14, which would be a good place to focus the workstream, with a lot of the other issues coming under them.

It would be useful to see the timeline of when each of these issues will be considered - at the technical workshops and in the Transitional Committee meetings. Given the importance of setting out the objectives and principles of the GCF, and the volume of work we will need to consider at the later Transitional Committee meetings, I hope it will be possible to conclude as much of this workstream as possible at the 2<sup>nd</sup> Transitional Committee meeting in Tokyo.

It would be helpful at this stage to set out what pieces of analysis the Technical Support Unit will be tasked to undertake. We will certainly need papers that orientate the Transitional Committee's discussions on the objectives and principles of the GCF. I also note that item 1 responds to the Japanese suggestion of analysis of gaps etc in the existing set of climate change funds - this will be an important piece of analysis for the Technical Support Unit to consider. We would welcome the opportunity to comment on terms of reference for Technical Support Unit analysis and orientation work on these issues and any others that are being considered under workstream I.

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

### Objectives and principles:

1. How should/could this Fund be different from existing climate funds?

**U.S. response:** The creation of the GCF represents a chance to build a state-of-the art finance channel that takes into account the lessons learned from existing multilateral trust funds for climate and other global issues. In terms of scale, the GCF should be designed to attract significant donor contributions and leverage private sector co-financing at a larger scale and from more diverse sources than previously achieved. In terms of operations, the GCF should set new benchmarks for accountability, fiduciary standards, efficiency, and measurable impact.

2. Some broad objectives and guiding principles of the GCF have been agreed in the decision 1/CP.16, Cancun Agreements (see annex below) How can these be further developed, enhanced and operationalized?

**U.S. response:** The paragraphs on financing in the Cancun outcome fall into various categories – (1) various general statements regarding efforts by the Parties in the context of the UN Framework Convention on Climate Change (UNFCCC) regarding financing of efforts to address mitigation and adaptation (paragraphs 95-101); (2) certain specific operational modalities for the GCF, such as composition of the Board and designation of the interim trustee (paragraphs 102-107); and (3) elements that are intended to frame the discussion on the design of the GCF as described in Annex III of the decision.

The general statements regarding efforts by the Parties in the context of the UNFCCC are matters for the COP and its subsidiary bodies to discuss in the Convention context, rather than a productive discussion for the technical work of the Transitional Committee.

The GCF design process, however, would benefit from a succinct statement of purpose, building upon the language in paragraph 102 of decision 1/CP.16. The statement of purpose should focus on practical elements of the Fund's role in the delivery of climate finance to address the mitigation and adaptation efforts of developing countries.

With respect to operational modalities and the framing of the Transitional Committee's discussion, Workstreams II, III, and IV are taking up specific elements of the legal contours, operational modalities, and accountability arrangements in the design of the Fund.

### Thematic scope:

3. How many and what thematic funding windows should be adopted? What activities should be covered by each thematic window?

**U.S. response:** The Board should retain the flexibility to designate thematic windows. Windows are best organized according to programmatic purpose, *i.e.* mitigation, adaptation, and REDD+. This would parallel the normal approach taken by existing climate funds and bilateral programs, and also facilitates performance-based allocation decisions (the methodologies for allocating available funds to countries and activities will likely be very different for mitigation, adaptation, and REDD+). We could also envision the Board needing the flexibility to consider establishing windows for certain financial instruments (*e.g.* loan guarantees) or for access modalities (*e.g.* the private sector).

4. Should the number of thematic windows be determined by the founding size and design of the fund or should more be added by the Board as the Fund's capital grows in size or/and new needs are identified?

**U.S. response:** The Board should retain the flexibility to designate thematic windows, rather than determining the number and scope of windows in advance. The fund should be designed to accommodate changes in scale, and the Board therefore requires the flexibility to add windows to account for new resources and needs.

5. The Cancun Agreements refer to “balance” between mitigation and adaptation. How do we define and achieve “balanced allocation” between adaptation and mitigation?

**U.S. response:** While balanced allocation is certainly important – particularly to ensure sufficient resources for adaptation – this is a political rather than mathematical decision. Donors should have the flexibility to assign contributions to the windows.

#### **Size and scalability;**

6. What is the foreseen size of the GCF compared to other existing funds?

**U.S. response:** The GCF should be designed to operate at the scale required to play a meaningful role in promoting transformational investments in mitigation and adaptation in developing countries. Its exact size depends on numerous factors, notably the design features now being developed by the TC. In designing the GCF, the TC should be mindful of the features that will make this fund attractive to contributors. If the design process succeeds, the GCF could potentially be the keystone of the multilateral climate finance architecture. It will not, however, channel \$100 billion a year, since this goal in the Cancun decision refers to both public and private finance. Moreover, it is not anticipated that the GCF will be the only channel for public climate finance, since bilateral assistance will continue to play a major role and other multilateral funds like the GEF may continue to work in this space.

7. What is meant by “large scale” in terms of the expected volume of the GCF, and should a minimum and maximum volume be considered?

**U.S. response:** See response to previous question. The GCF should be scalable and should retain the flexibility to evolve to handle varying degrees of resources. The scale of resources does not need to be defined in advance.

8. Should the GCF design be scalable over time, or should the GCF design immediately match the volume goal?

**U.S. response:** The GCF should be scalable both within windows and across the fund. Climate finance is expected to scale up over time, so the fund may grow accordingly.

#### **Country-led and results-based approaches;**

9. How could the GCF encourage the application of the country led principle?

**U.S. response:** The GCF should be guided by recipient country priorities but will need to be flexible in its approach so as to ensure the ability to leverage the private sector. Recipient countries should lead in identifying areas for which they seek GCF funding. Ideally, these requests should be put in the context of low emission development strategies and national adaptation plans.



10. What is needed to ensuring the country led principle alongside the application of environmental and social safeguards as well as internationally accepted fiduciary standards and sound financial management?

**U.S. response:** Direct access may play an important role in the GCF, but to do so, such access must be accompanied by rigorous standards and safeguards. This will be an important condition for contributor country treasuries and parliaments making decisions about funding the GCF both at the outset and on an ongoing basis.

11. How could the GCF encourage results based approaches among different thematic areas? What are the options for implementing result based approaches? Is there a need for taking different approaches for each thematic area?

**U.S. response:** Nothing will be more important for attracting donor resources to the GCF over time than its ability to demonstrate a meaningful impact on mitigation and adaptation outcomes. It will be critical to establish robust procedures for measuring and reporting results of funded activities in an accurate and timely way and to provide the Board with the authority to enhance these procedures in a manner that ensure transparency and effectiveness in outcomes. We believe the Climate Investment Funds and the GEF have made good progress in this area. In addition, result-based financing (or “pay-for-performance”) is also a type of financing modality which the GCF Board may consider exploring.

**Complementarity and value added:**

12. What should be the value-added of the design and operations of the green Fund?

**U.S. response:** See response to question 1.

13. What role should the GCF play among climate finance entities?

**U.S. response:** There are many sources and channels of climate finance, both private and public, both bilateral and multilateral. The GCF will play an important, but not exclusive, role in this architecture. Its activities should be designed to complement and strengthen financial flows through other channels. We do not see the GCF fulfilling systemic functions in the overall climate finance architecture (i.e. oversight or matching). However, greater coordination among the various institutions with a role in climate finance should be encouraged. To this end, the GCF may work with other institutions to establish the kind of “climate finance forum” that has been discussed in the UNFCCC negotiations and elsewhere.

14. How will the GCF ensure complementarity between the Fund’s activities and those of other bilateral, regional and multilateral funding mechanisms and institutions?

**U.S. response:** See response to previous question.

## **Chapter II: Views of members of the Transitional Committee on Workstream III: Operational Modalities--Sub-workstream III.1: Finance entry points**

### **I. Submission by Ms. Vanesa Valeria D'Elia (Argentina)**

#### **General Remarks**

As regards Climate Change Financing, Argentina understands that the principles enshrined in the United Nations Framework Convention on Climate Change (UNFCCC) should be preserved, especially those of equity and common responsibilities, but differentiated between developed and developing countries.

In this regard, it is considered that these 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. Therefore, the starting point should definitely be the contribution made by developed countries, as was the case in the other operating entity of the Convention's financial mechanism (GEF).

We understand that public funding, private funding, and the carbon markets are essential to address climate change, but public funding should have a prevailing role over the other income sources.

The architecture of this Fund should be equitable and effective to ensure that the financial mechanism governance does not replicate the financial access limitations and under-representation of developing countries in International Financial Agencies.

In addition, Argentina understands that the Green Fund for Climate Change should take the necessary actions to guarantee the provision of new resources, additional to those of the Official Development Assistance (ODA) and will be so designed that it is seen as a major player across Climate Change financing funds. These resources should also be adequate, predictable and verifiable, with a balanced approach between adaptation and mitigation, thus ensuring the increase in access by all developing countries, including direct access.

#### **Specific Remarks**

In particular, we remark some elements referring to the questions raised by co-facilitators on item III.1, regarding incoming funds. However, we believe that the agenda for this first workshop could also include a further discussion on the complete work programme, as the proposal is not totally clear.

As regards the GCF governance, it should have an adequate legal capacity, with the necessary legal status (similar to the one agreed upon for the Adaptation Fund), making it possible to proceed expeditiously both to receive funds from the various sources suggested and to provide them. Thus, it is suggested that the elements in common with the Adaptation Fund should be studied so that the time required for the necessary proceedings can be optimised. Additionally, the Trust Agency (World Bank) shall enter into an agreement with the GCF Board to align their functions with the operating guidelines set forth by such Board.

As far as incentives are concerned, given the volume required for the GCF to operate, a full and active participation of the private sector is fundamental, and all mechanisms contributing to that end should be explored. Therefore, it is important to engage the market mechanisms, Both taking advantage of the positive experience of the Kyoto Protocol and improving those aspects that limited the scope of such mechanisms, for example, by minimizing the

bureaucratic interferences preventing a significant access to resources. It is also very important to take account of all projects, policies and programmes (including small scales ones or others more costly, risky or less attractive to the private sector) in all regions or countries, and assure country involvement in the development, definition, implementation and monitoring of project activities and operational guidelines for allocation and disbursement of financing, basing its work in partnership with national programs and policies and respecting country-led formulation and implementation processes.

In addition, the actions that various countries have implemented to increase investment by the private sector in the short term could also be explored. In that regard, we provide the example of Law 26.190: “National Development scheme for the use of renewable energy for electricity generation” (GENREN - Decree N° 562/09) in Argentina, which the main objective is to increase the power capacity through the generation of renewable energy. It establishes that within the period of 10 years, 8% of electricity consumption has to be supplied from renewable energy sources. The first tender had finished and soon will begin the second tender for the purchase of electricity from renewable sources.

We also provide the example of the Public-Private Partnership in Uruguay, which is in its last stages of parliamentary approval, and fully supported by all sectors of the political parties in the country. This partnership opens up the possibility for private parties to submit projects related to strategic areas and to participate in their execution, through an open and transparent selection process. This should be associated with a regulatory framework fostering investment, and at a global level, the necessary guidelines for its implementation should be set forth, perhaps creating a specific body in the GCF environment.

## II. Submission by Mr. Ewen McDonald (Australia)

Australia appreciates the opportunity to provide initial feedback on issues to be considered in sub-workstream III.1 Finance entry points. We look forward to working with Transitional Committee colleagues, the Transitional Support Unit, observers and other stakeholders to further analyse and consider these issues and provide more substantive input as the work progresses. Australia will look to consult with domestic and international stakeholders over the coming months across the different workstreams to inform the consideration and ultimately recommendations of the Transitional Committee.

In all workstreams it will be important to identify areas of cross-over between workstreams and key areas for information gathering and analytical work to inform the considerations of the Transitional Committee. Value could be added to the consideration of a number of issues under this workstream by collating lessons learned and background on existing financing mechanisms, funds and entities, both in the climate change area and more broadly. The issues covered in this workstream also consistently point to the importance of obtaining the views and input of a range of stakeholders.

### Modalities for contributions to the Green Climate Fund

**1. In what form might funding sources be received and what systems, capabilities, governance and legal capacity does the fund require to receive these if the fund accepts contributions from: Governments; the Private sector; Private individuals and Foundations? What additional systems would be required if grants, loans, capital investments or other funding modalities are accepted?**

Consistent with the Cancun Agreements, the Green Climate Fund should be designed to be able to accept a wide range of sources, both public and private. This will provide it with the flexibility to accommodate any decisions Parties reach on resourcing the Green Climate Fund under the UNFCCC and within national government considerations. Discussions on sources of climate finance will be progressed under the UNFCCC. The Transitional Committee could commission advice on the governance and legal capacity required in relation to each of these sources. We note that the report of the United Nations Secretary-General's High Level Advisory Group on Climate Change Financing (AGF) outlines a wide range of potential sources, which may be useful as input into the development of such advice.

If the Green Climate Fund is to achieve the ambitious scale of financing desired it will likely need the capacity to accept a range of funding modalities including grants, loans and investments. If the Green Climate Fund accepts loans, consideration will need to be given to the capacity and systems required to realise repayments. This would likely mean that the Green Climate Fund would require the capacity to provide loans or guarantees or invest loan amounts in activities which provide a return. Consideration will need to be given to the types of activities that may be suitable for loan financing rather than grant financing. This workstream should consider the range of potential funding modalities in relation to funding sources and map the resultant impacts on funding distribution (under sub workstream III.3 Accessing Finance).

The Climate Investment Funds currently accept a range of funding modalities including grants, loans and capital investment. A number of other funds only accept grants. The systems, capabilities, governance and legal capacity required for the Green Climate Fund to accept a range of funding modalities should be informed by reference to existing funds.

**2. What processes and sources might be used to raise funding? If there is a regular process for raising funds, how would such a process be managed? What would be the comparative benefits and costs of periodic compared to ongoing funding receipt? What systems would the Fund need to manage different processes that may be used for receipt of funding?**

In the consideration of the costs and benefits of periodic compared to ongoing funding receipt, the experiences of existing funds that utilise these different approaches (e.g. Global Environment Facility – periodic, Climate Investment Funds – ongoing, World Bank – periodic and ongoing, Adaptation Fund – ongoing) will be a valuable and useful input. Key considerations are expected to include financial management implications, ability to harness investment opportunities as they arise, flexibility of the Green Climate Fund to respond to changes in the international environment, predictability of funding availability and fund resourcing implications (i.e. flat or ‘seasonal’ staffing profiles).

Australia supports the Green Climate Fund taking an active role in leveraging private sector investment, noting the findings of the AGF. In order to do this it is likely that the Green Climate Fund will require the ability to seek and leverage funding as opportunities arise.

**Methods to mobilise and leverage private sector finance, both foreign and domestic**

**3. How can the GCF best ‘crowd-in’ private finance at scale, including foreign and domestic sources? What incentives may be provided to engage stakeholders, especially the private sector both at the national and international levels?**

**4. How can the delivery of private finance be improved in regions with poorly developed financial markets?**

Attracting and delivering private finance are two sides of the same coin. To provide finance, just as to deliver it effectively, private financiers will be seeking policy and regulatory settings that are conducive to investment and strong institutional structures to inspire confidence.

The Green Climate Fund can contribute to ongoing efforts in developing countries to improve the ‘enabling environments’, including by assisting the development of the policy and regulatory environments necessary to attract and lower the risks of investing in developing countries. Australia would support analysis on current work underway (see our response to question 5) and how the Green Climate Fund could build on this, including providing advisory services alongside investments or as discrete activities.

The design parameters of the Green Climate Fund will also strongly influence the scale of private finance that can be attracted and the impact such finance can have. Some key issues for further consideration are:

- Private sector representation in the Green Climate Fund governance and decision making: it may be important for institutions representing private finance interests to participate in the Green Climate Fund. Australia would welcome further analysis and discussion by the Transitional Committee on the form this could take (e.g. observer, participating observer, decision maker, serving on a purpose designed sub-committee) and the representatives that could participate (e.g. private enterprises, industry groups or international finance institutions such as the International Finance Corporation).
- Types of private finance: analysis on potential sources of private finance and mechanisms which have the potential to be leveraged would be useful to explore (e.g. venture capital funds, market capital and carbon markets).

- ‘Parallel’ vs ‘blended’ private financing: there are a range of existing climate change financing mechanisms to encourage private co-financing of Green Climate Fund investments (‘parallel private financing’) from which lessons can be learnt. In addition, further analysis of the possibility for the Green Climate Fund to implement investments financed by public and private sources (‘blended private financing’) will be a beneficial contribution to the work in this area. There may also be the potential to partner with private enterprises to implement Green Climate Fund investments which are financed by public and private sources.
- Identifying investments for private participation: existing climate change financing mechanisms have identified investments that may be attractive for private finance. Further investigation of the potential role for the private sector in identifying and submitting investment proposals to the Green Climate Fund would be useful, including consideration of those which require additional public or concessional financing to be commercially viable.

**5. Should GCF resources be deployed to raise funds from the capital markets, whether through bond issues or some other vehicle that could be considered to mobilize significant amounts of funding from institutional investors?**

Deliberations on this issue would benefit from an assessment of the range of institutional funding sources and vehicles that could be mobilised for Green Climate Fund investments. Such an analysis should also consider the associated risks and benefits and implications for Green Climate Fund design, including its establishment as a legal entity.

**6. How can the modalities of public-private engagement be optimised, including timing of engagement, aligning project cycles, pre-investment activities, linkages to the carbon markets and other operational issues?**

In working to optimize public-private sector engagement, an analysis of barriers to public-private partnerships and other types of private sector engagement would be constructive. Targeted consultation with private sector entities will provide valuable input to identifying such barriers and the most appropriate approaches to optimise this engagement.

In addition, there is a broad spectrum of donor supported facilities to promote private participation in infrastructure in developing countries that may be instructive. These infrastructure facilities address different obstacles to meeting this objective, including policy and regulatory settings and information asymmetries, project development and financing needs.

Further exploration of the role of innovative finance (eg. advance market commitments) in Green Climate Fund investments could be a practical way forward.

There may also be a role for the Green Climate Fund to promote business innovation among small-medium enterprises to support the development and commercialisation of clean technologies.

### III. Submission by Ms. Naoko Ishii (Japan)

1. We support the Co-facilitators' proposal to organize the work into five categories, and start from Finance entry points (sub-workstream I) and Accessing finance (sub-workstream 3) with additional comments below.

2. Following items could be added for TC members' consideration;

**[Sub-Workstream III.1: Finance entry points]**

- What is the best way of financial management of GCF best serve the purpose of the fund? The review of strengths and weakness of financial management of existing financial mechanisms may help to crystallize the issue. For example, CIF allows donors to contribute in several methods, including, loans, grants and equities. There is mismatch between the way funds are collected and the way funds are delivered to recipients.
- There are many kinds of financing modalities to catalyze private sector participation. This includes financing incremental costs of investment, credit enhancement for risk mitigation, co-financing with private financiers, guarantee scheme, and accessing capital markets. In order to find the most effective way to catalyze private sector participation, we recommend to have working sessions focused on private sector participation by investors (private companies) and financiers (financial institutions).

**[Sub-Workstream III.2 and 3: Managing finance and Access finance]**

- These topics of "Managing finance" and "Access finance" need to be discussed together with a discussion of effective and efficient corporate structure including governance and approving procedures. Effective and efficient delivery mechanism through (i) different funding windows, including direct access, and (ii) different type of implementing agencies is critical in designing GCF intuitional arrangement.
- Considering the methodology to deliver financing through different access modalities and different types of implementing agencies, including direct access, the study should explore options for efficient management, governance, procedures and corporate structure of GCF.

**[Sub-Workstream III.4: Balance between mitigation and adaptation]**

- To consider the appropriate balance between mitigation and adaptation, we should learn from the current best estimate on the needs. In addition to the balancing of mitigation and adaptation, we should also consider a resource allocation methodology to countries and regions.

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

This is a good set of TORs, which cover the main issues - the GCF structure and windows, private sector and direct access. We may later want to consider additional sub-workstreams if we conclude that there should be more windows than just private sector and direct access.

It is very helpful to see the timeline for this workstream which looks good with a couple of comments:

- Modalities for contributions to the fund - it will be difficult to take decisions about contribution modalities until we have a good idea about what types of instruments, products and windows the GCF will have. The task at this stage will be to determine the complete range of possible contribution modalities, and then later when we know the instruments we can pick appropriate contribution modalities from the list. So we will likely need to come back to this issue later in the year once we have a better idea of the function of the GCF.

- Private sector - I welcome the proposal to consider private sector so early in the process. Given the amount of work that Transitional Committee members and the Technical Support Unit will need to do on the private sector - and the importance of getting it right - I think it will be difficult to conclude the private sector discussion at the 2<sup>nd</sup> meeting in Tokyo. I suggest therefore that we plan to continue the private sector discussion in the 3<sup>rd</sup> Transitional Committee meeting.

As in workstream I, it would be helpful at this stage to set out what pieces of analysis the Technical Support Unit will be tasked to undertake:

- On direct access under sub-workstream 3.3, it would be helpful to consider how a direct access window in the Green Fund could be structured, building on lessons learnt from other direct access funding instruments. Other instruments to consider include the Adaptation Fund, the Global Fund for Aids, TB and Malaria (GFATM), MDB climate change PBLs, Poverty Reduction Budget Support, and results-based instruments such as Cash on Delivery.

- On sub-workstream 3.1, a lot of analysis has been done on private sector involvement in climate finance, and there are several institutions - including the MDBs - that already offer climate-related private sector products. The Transitional Committee can benefit from learning from these, and the design of the GCF will need to take them into account. I therefore suggest the Technical Support Unit is tasked to consider the following questions:

1. How can the private sector offer of existing institutions be enhanced and what role can the GCF play?

2. Building on the useful work undertaken to date, including by the UNFCCC Secretariat and the AGF, what new institutional and instrument approaches are needed to address gaps in the existing architecture that can quickly increase private finance at scale?

I would also welcome the opportunity to comment on terms of reference for any other work the Technical Support Unit is tasked to carry out under workstream 3.



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

### Modalities for contributions to the Fund

1. *In what form might funding sources be received and what systems, capabilities, governance and legal capacity does the fund require to receive these if the fund accepts contributions from: Governments; the Private sector; Private individuals and Foundations? What additional systems would be required if grants, loans, capital investments or other funding modalities are accepted?*

**U.S. Response:** Ultimately, the Board will likely need to address technical issues on modalities for how contributions are made. The fund must be flexible enough to receive contributions from multiple sources, including developed and developing country governments and non-state actors. The fund must also be sufficiently flexible for contributors to be able to designate windows for their contributions. Contributions should be made on a voluntary basis. The fund should be structurally capable of receiving innovative sources of finance in addition to direct country contributions in various forms. Legal issues related to whether the GCF is able to accept funds from such a variety of sources should be referred to Workstream II.

2. *What processes and sources might be used to raise funding? If there is a regular process for raising funds, how would such a process be managed? What would be the comparative benefits and costs of periodic compared to ongoing funding receipt? What systems would the Fund need to manage different processes that may be used for receipt of funding?*

**U.S. Response:** For direct contributions by governments, funding could be raised through multi-year replenishments.

### Methods to mobilize and leverage private sector finance, both foreign and domestic

3. *How can the GCF best 'crowd-in' private finance at scale, including foreign and domestic sources? What incentives may be provided to engage stakeholders, especially the private sector both at the national and international levels?*

**U.S. Response:** The GCF must be designed to maximize private sector co-investment in as many areas as possible but being careful that this leveraging does not displace private funding. This will require engaging private sector stakeholders early and often throughout the development of the GCF. In particular, private firms with experience in infrastructure investment, project finance, and banking (which do not typically follow UNFCCC negotiations) should be encouraged to participate. The IFC, EBRD, and other governmental agencies that have experience with crowding in private finance should also be brought into the discussion. While the TC can provide broad guidance, it will be for the Board to structure windows to maximize private co-investment and also consider the value of creative approaches such as loan guarantees, equity fund investing, investment competitions, and pay-for-performance.

4. *Should GCF resources be deployed to raise funds from the capital markets, whether through bond issues or some other vehicle that could be considered to mobilize significant amounts of funding from institutional investors?*

**U.S. Response:** The GCF Board should consider all sources of funding.

5. *How can the modalities of public-private engagement be optimised, including timing of engagement, aligning project cycles, pre-investment activities, linkages to the carbon markets and other operational issues?*

**U.S. Response:** The private sector needs to be engaged at various levels throughout the project cycle, so as to optimize their engagement and level of investment. The fund board should engage regularly with the IFC, EBRD, private sector firms, and governmental entities that work on public-private sector investment and engagement as part of their mission.

6. *How can the delivery of private finance be improved in regions with poorly developed financial markets?*

**U.S. Response:** The GCF Board will likely need to consider how to incentivize private finance in regions with poorly developed financial markets as well as how to design programs that improve regional financing. The GCF should first engage with the private sector in order to determine how best to proceed in this area.

**Chapter III - Other submissions****I. Submission by Mr. Omar El-Arini (Egypt)**

Thank you for forwarding the above-captioned report. I wish to submit the following comments, which I respectfully request the Secretariat to forward to all members of the Transitional Committee and their advisers.

**1) Title:**

The final report should have the title, "Report of the First Meeting of The Transitional Committee for the design of the Green Climate Fund". Several members insisted that a draft report, not a "Co-Chairs' summary", should be prepared and submitted to the TC members for adoption.

**2) Format:**

All documents prepared for the TC meetings, including reports of the meetings, should follow the same format as that of documents prepared for meetings of other bodies of the Convention. The format used by the Adaptation Fund Board for its meetings' reports ( for each agenda item/sub item, a summary of the discussion is provide, followed by the decision taken on the issue and the decision having a number that can be referred to in future documents) would be a good example to follow in the preparation of the TC meetings reports.

Documents numbering should follow standard rules, with the report of the meeting having the last number. In this regard, there should not be a document having the number TC-1/7, since the meeting report has the number TC-1/6.

**3) Agenda Item II: Election of officers:**

Paragraph 5 is not a true reflection of what happened. Consultations ensued after the opening session and continued in the afternoon. The phrase "on a permanent basis" needs to be clarified.

**4) Agenda Item III: Adoption of the agenda:**

Paragraph 7 should reflect the discussions on the African Group Agenda that had been officially submitted prior to the meeting to the COP 16 presidency and the UNFCCC Secretariat, and was distributed at the meeting, with the concurrence of the presiding Co-Chair.

**5) Agenda Item IV: Exchange of views:** A reference should be made to a number of written statements submitted by some members.

**6) Agenda Item V: Working arrangements...:**

It is not clear whether the TC took the decision of appointing Mr. Wuester as [the Secretary] to the TC. Until this is done, it is more accurate to use the phrase "a representative of the UNFCCC Secretariat.."

Para 11 makes reference to an Annex I and ends with a request to prepare a revised document to be considered at the second meeting of the TC. It is therefore suggested that this annex should not be part of the final report, and either be issued as TC-1/3 Rev.1 or as a new document to be submitted to the second meeting.

Para 12 does not reflect the view that TC meetings should consider all substantive issues at the plenaries, with details being referred to the workstreams, as relevant, for more in-depth consideration.

The last sentence in this para may not be self-consistent; the word "endorsed" in the sentence should be replaced with "took note of", since the meeting requested an update of the arrangements, to be considered at the second TC meeting.

Annex II should be a meeting document (TC-1/4 Rev.1), rather being an annex to the final report.

## 7) Agenda Item VI: Work plans..:

para 13 should also mention oral inputs. The last sentence in para 15 should be included in a separate paragraph 15.bis.

## 8) Agenda Item VII: Other matters:

Para 16 should make reference to the indicative figure of US\$ 3.4-3.8 million mentioned by the Executive Secretary, as the estimated budget for preparing and holding the TC meetings.

Para 17 should be slightly modified. "supported by other members" should be inserted after the word "members". The word "to" should be added after "revert", and the word "at" after issue should be deleted.

9) Agenda VIII: Adoption of the report of the meeting: I trust that the final report will not include the text provided in para 18.

## 10) General remark:

It is crucial that the presiding co-chair should ensure that each item is concluded at the meeting as much as possible, with the associated decision(s) clearly articulated.

I hope the above comments will be taking into consideration in preparing the final report of the first TC meeting.

## II. Submission by Ms. Bernarditas Muller (Philippines)

With reference to your Message dated 13 May attaching the "Co-Chairs' Summary Report" and requesting views on Suggested Questions for the first Technical Workshop related to Workstream I and Workstream III, please find below my comments and views. I would like to request the TC secretariat please to distribute a copy of these comments and views to all TC members, including the co-Chairs, and their Advisors.

### On the "Co-Chairs Summary Report":

1. There should be a clear delineation between a "Co-Chairs Summary" and a report of the First Meeting of the TC, and these cannot be made in one document. A Co-Chairs' summary is prepared under their own responsibility as their appreciation of what occurred, which, in principle, cannot be subject to consideration and adoption of the TC. A Report of the Meeting is a document which comes at the end of the meeting, usually prepared under the guidance of a Rapporteur who is an officer of the meeting, and which informs on the discussions and results of each item of the agenda of the meeting. This is very important because it lays out the agreements, if any, reached at the meeting held. The Co-Chairs Summary report, as it is called, is incomplete and contains inaccuracies which will be pointed out below.

The co-Chairs Summary is not a formal document of the meeting, while the report is a formal document of the meeting. This has to be clarified because it is expected that formal proposals, the discussion of these proposals and the results of the discussions on each agenda item will be part of a report. Also, a report can contain any substantive element that a TC member would formally request to be reflected in the report, which it cannot in a Co-Chairs Summary. I expect therefore that there will be a formal report that will be issued as Document TC-1/6, or that this Co-Chairs summary would be revised to turn it into a report after a consideration by the TC members.

2. The list of participants to a meeting is usually contained in an Information document and is not part of the official documents of the meeting, unless so desired by the TC. It cannot therefore be numbered TC-1/7.

3. There is no clarity in paragraph 5 that extensive consultations were held to determine the officers of the meeting (second item), because these consultations were not devoted only to the co-Chairing arrangement but also to other officers of the TC (please see doc. no. TC 1/2, para. 2, provisional annotated agenda). Prior to the election of the three co-Chairs, the Asian Group made mention of its extreme flexibility in accepting the co-Chairing arrangement on the understanding that a seat among the officers of the TC will likewise be given to the Asian Group. This was stated also by the African Group, represented by their TC member, in accepting the compromise of a three-headed co-Chairing arrangement for the TC. This matter was again raised by the Asian Group at the end of the meeting.

4. There is in particular no understanding that the Co-Chairs were elected "on a permanent basis." What was clear, first of all was that the co-Chairs remain under the authority and mandate of the TC, and that they are elected in their personal capacity. I also later specifically clarified my understanding that the officers of the meeting, given its mandate, will end in Durban, and that a new set of officers would have to be elected should the mandate of the TC be extended, under a new COP decision. At no moment was there agreement that the officers elected at this first meeting is on a "permanent basis", whatever is meant by "permanent".

5. On paragraph 8, there should be mention of the draft agenda presented and circulated by the TC members representing the African Group, with support from other TC members, and that the co-Chairs did not open discussions of this draft, although it remains on the table and could still be taken up. There were also suggestions that there should be a revision of the sequencing of the items, and that the work plan should be discussed before the working arrangements which should serve the work plan, rather than the other way 'round. This was not opened for discussions by the co-Chairs. It is here also that the TC representative from Samoa, speaking for AOSIS, added the item on "Statement of Purpose", for which they also submitted a paper. This was the basis for the addition of an agenda item on "Exchanging views on the purpose, principles and scope of the Green Climate Fund.

6. On paragraph 9, mention must be made of the AOSIS paper formally submitted and circulated by Samoa, TC member for SIDS. Mention was also made a submission made by the G77 and China on a financial mechanism under the Convention. All these submissions from TC members, including the draft agenda submitted by the African Group, should be compiled in a MISC. document of the meeting. Submission from Observer Parties could likewise be compiled in a separate MISC. document. Submissions from Observer organizations could be compiled in separately, in an INF document which could then be available for the consideration of the TC members and Advisors.

7. On Agenda Item V, paragraph 11. I am not clear on what is a "broad agreement" on TC-1/3, after "rich" discussions, with the exception of paragraph 9, last sentence, which the TC member from Pakistan asked to be deleted, and this suggestion was supported by other TC members, but opposed by at least two TC members representing developed countries. There was no clear conclusion reached on this sentence. However, what was agreed was that the TSU will work completely under the mandate of the TC. I understand that there will further discussions of these working arrangements on the basis of Annex I to this co-Chairs Summary Report.

On the role of the Advisors, my understanding is that this arose within the context of possible parallel meetings of "workstreams" or other working groups, non-groups, drafting groups etc. that may be set up in the course of the work of the TC. It is therefore not only in case the TC member cannot be present at a meeting that an Advisor is named but in case the need arises for parallel meetings. It must be also made mention of the proposal of some members of the TC that all meetings be held in plenary, with drafting groups with specific mandates to be set up as may be necessary, reporting back to the plenary on their specific mandate, in the light of the fact that developing country members of the TC are dependent on funding for their participation. One of the two Advisors could be funded for the formal meetings, but apparently not for other meetings, like the first technical workshop. In this case, it becomes extremely important that all meetings be held in plenary, without any parallel meetings because this will be to the disadvantage of developing countries whose Advisors cannot attend due to lack of funding.

Since only one of the two Advisors could be funded, then there is the possibility for this one funded Advisor, which the TC member will name in writing, could represent the TC member in a parallel meeting, should the need arise.

8. On paragraph 12: the very serious concerns raised over the issue of conflict of interest should be mentioned in the report, and included in Annex I to this report. There was even general agreement, including by the co-Chair, that even the "perception of a conflict of interest" should be avoided.

Mention must be made of the suggestion to delete the reference to the specific institution that will provide the different members of the TSU as stated in the Annex to document TC 1/4., in order not to prejudice the expertise that could be provided by other institutions, including at regional levels. There was no objection to this proposal, made at least twice during the discussions. I also made clear at the outset that ability to pay for its seconded personnel should not prejudice the choice of

seconded personnel and that a budget should be provided to allow for a balanced representation of institutions, expertise, and experience.

I do not remember that we in any way "endorsed" the TSU arrangements, but instead received the assurances of the Executive Secretary that all concerns raised will be further discussed, to be provided, I suppose in the update on these arrangements. On the paper on "Working Arrangements, Understanding of the co-Chairs", I mentioned that the engagement of the TSU to support the work of the TC (last bullet) must be made on a clear mandate and terms of reference to be defined by the TC, and not by the co-Chairs/facilitators of the "workstreams" or whatever it is called, alone. Specific information was also requested for the website to be used to communications, and further information is expected on this issue.

9. On the work plan, mention must be made of a very important submission made by the AOSIS on an "AOSIS Non-paper on the work plan of the TC", which was supported by other TC members. In particular, it included a timetable for the meetings of the TC until Durban, which would then allow the TC to work in an efficient manner and deliver on its mandate by COP17 in Durban, South Africa. It also contains a clustering of tasks which could be reflected in working/drafting groups, or as suggested by the secretariat in "workstreams", covering the different sub-paragraphs of the TC TOR. Another TC member circulated a series of points covering both the work plan and the working arrangements. Stating in particular in its first bullet that "the work plan should be agreed before finalizing the working arrangements. This was also supported by other TC members. All these proposals should be included in a MISC document which should be made available at the technical workshop so as to finalize the work plan. This would also assist in considering the "workstream" papers of the co-Chairs. I will revert to this issue on the views on the "workstreams" as proposed to the technical workshop.

10. On "Other Matters":

On paragraph 16, I believe there was a figure mentioned by the Executive Secretary which should be included here.

On paragraph 17, What should be stated is that TC members of the Asian Group recalled its understanding that there will be a Vice-Chair from Asia among the officers of the TC, to reflect regional balance, as well as balance of expertise which, with the three co-Chairs, only reflect financial expertise without climate expertise. The Asian Group offered a candidate that had both expertise. TC members from Africa and GRULAC supposed the Asian proposal. It was agreed to revert to this issue at the next TC meeting.

11. On paragraph 18- I did not agree on a co-Chair's summary but rather a report to be submitted by the secretariat, as is usual procedure. There were no objections to my suggestion. I have made the reasons clear in paragraph 1 above.

The following also serves as my preliminary views on the Workstreams and suggested questions.

12. On Annex II on the revised draft work plan. I proposed, at least twice, that there be no "pick and choose" and "truncated versions" of paragraphs of Decision 1/CP.16 in the headings of the workstreams, taking the example of Workstream I, as such an approach would prejudice the work to be done under these workstreams. There were no objections to my proposal. The TOR of the TC must guide the workstreams, or setting up any working/drafting groups. In this regard, it is best to take into consideration the AOSIS proposal on clustering in the work plan, which refers to the specific paragraphs in the TOR in Annex III of Decision 1/CP.16.

Referring in particular to "Workstream" I. First of all, I am unfamiliar with the words "workstream" and there must be a clear understanding among the TC members of how this clustering is to be called. I understand that these terms were used in a process conducted outside of the Convention, to refer to working groups.

The heading of "workstream" 1: Paragraph 97, relegated to the footnote, is the decision on long-term finance which is to be delivered through the Green Climate Fund. It is not a mere declaration of guiding principles as stated in this paper. It should be cited in full and provide the main elements of the work to be done under "workstream" 1. Bits and pieces of the TOR (para. 1 c) and para. 99 should be deleted or else quoted in full. Moreover, these paragraphs are not in the same level, as para. 97 is a decision taken by the COP, as well as the whole TOR, but not para. 99 which only "agrees" with para. 1 (e) of the Bali Action Plan which is then substantively altered in its meaning in para. 99.

In general, therefore, it would be best to relate the work of the "workstreams" to specific sub-paragraphs in para. 1 of the TOR (found in Annex III, not Appendix III, of Decision 1/CP.16), taking into account that these sub-paragraphs remain open to additions ("inter alia" in paragraph 1, in the chapeau) rather than to parts, chosen arbitrarily, of the relevant paragraphs in Decision 1/CP.16. It should also specify the relevant paragraphs in the Convention and in particular Article 11 that would be used to determine the work to be done under each "workstream".

There is in particular paragraph 3 of Article 11 which provides a listing of elements to be included in legal arrangements that have to be concluded with the operational entity of the financial mechanism, especially paragraph 3 (d) on the "determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed."

Para. 6 on the "size" of the Fund, this therefore cannot be "foreseen", and especially not in terms of the size of other funds, which have clearly been shown to be inadequate and unpredictable, but rather, ways must be explored in which "the amount of funding necessary and available for the implementation of the Convention" can be determined. There is previous experience and mechanisms on doing this under the Convention.

We have decided in para. 97 that "in accordance with the relevant provisions of the Convention, scaled-up, new and additional, predictable and adequate funding 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." There are already a series of questions to be asked in this paragraph alone, that would differentiate it from other existing funds that have not taken these into account at all in their climate change financing.

On "country-led and results-based approaches", pars. 9, 10 and 11- I do not find these in either the decision, in the financing chapter, or in the TOR. I also do not understand the linkages that are made in para. 10 on "ensuring" country-led "principle" with "the application of environmental and social safeguards as well as internally-accepted fiduciary" standards and sound financial management." And where is it in either the decision or in the TOR made mention of "results-based approaches among different thematic areas", even if I pretended to understand what that meant. All these paragraphs sound suspiciously like the conditionalities placed on current climate change financing by existing financial institutions that have made this financing so ineffective all these years.

The same goes for "complementarity and value added." On para. 14, in particular, the TOR does not say that the GCF will "ensure" complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions, but rather "enhance" (Annex III, paragraph 1 (e)), precisely because one cannot "ensure" anything with institutions that are subject to other governing bodies.

The decisions taken under Decision 1/CP.16 in paragraphs 97 and 100 should be fully examined, not as principles but as decisions to be operationalized through this Green Climate Fund. The



Annex of "work stream" 1 should be amended accordingly. Para. 102 of Decision 1/CP.16 establishes and defines the Green Climate Fund and does not merely state its "purpose."

The "principles" are the main objectives of the Fund and should first of all include para. 97 of Dec. 1/CP.16.

References to the TOR contained in the Annex to Decision 1/CP.16 (not, once again, its "Appendix"), should be quoted in whole, and not in bits and pieces which then take them out of context and distorts the nature of the task to be accomplished. It would also help if the papers could be prepared in accordance with Decision 1/CP.16, without introducing elements that are not in this decision, or in the Convention, so as to save time.

Given the short time given to us to provide our views, and the amount of revisions necessary to make these documents consistent with what took place (as in the report) and with the decisions taken and the TOR, I will provide my views of "workstream" III at a later date, but before the workshop. I have only one preliminary comment at this time, and that is the mention of "sub-workstreams" in "workstream" III. Does this mean work to be done separately from other "work streams", and how?

Replace the word "supposed" in paragraph 10, second sub-para, starting with "On para. 17..." by the word "supported", thus reading that the African Group of TC members SUPPORTED the Asian Group.