

Workstream II: Governance and Institutional Arrangements

Draft workplan for Workstream II

I. Description of the workstream

1. As provided in decision 1/CP.16, Parties agreed that the GCF shall be designated as an operating entity of the financial mechanism of the Convention⁴, with arrangements to be concluded between the COP and the GCF to ensure that it is accountable to and functions under the guidance of the COP⁴. Parties further decided that the GCF shall be governed by a Board of 24 members with specific distribution among Parties,¹ have an interim trustee with a clearly defined role,² and be supported by an independent secretariat.³

2. Under the Co-chair's proposed Revised Draft Workplan the Transitional Committee considered at its first meeting in April 2011, work under this stream will include, *inter alia*:

- (i) Legal and institutional arrangements, including fiduciary management issues, for the establishment and operationalization of the GCF. Annex III, Para 1(a)
- (ii) Rules of procedure, functions, and responsibilities of the Board and other governance issues related to the Board. Annex III, Para 1(b); Decision 1/CP.16, Para 103
- (iii) Role of the Fund's secretariat and the procedure for selection and/or establishing the independent secretariat. Annex III, Para 1(f)
- (iv) Trustee arrangements and issues of fiduciary responsibility for the Fund. Decision 1/CP.16, Paras 104-108
- (v) Relationship between institutional arrangements of the GCF and other bodies established under the Convention, including the Standing Committee on finance, as well as national entities. Decision 1/CP.16;

3. Elements of this Workstream and potential background or working papers are offered in the sections below.

II. Proposed workplan

4. The work under Workstream II, Governance and Institutional Arrangements, can be organised into five categories: legal issues for the GCF and its institutional components; the Board; the Secretariat; the Trustee; and complementarity and coherence with other finance flows, while recognizing linkages with work under other workstreams, including mechanisms to ensure provision of expert and technical advice and stakeholder input and participation.

5. It is proposed to address the five categories of issues in over the coming weeks in order to facilitate progress in this workstream and allow sufficient time for decisions to be worked through in other, connected workstreams (especially workstream 3).

¹ 1/CP.16 Paragraph 103

² 1/CP.16 Paragraph 104-107

³ 1/CP.16 Paragraph 108

- (i) Circulate workplan and collect initial responses to issues and questions across five sub-workstreams presented below (in advance of the first workshop);
- (ii) Prepare a factual background note on other relevant funds papers drawing on any responses (in advance of first workshop);
- (iii) Prepare a set of background papers on existing models and arrangements in use in other funds across five sub-workstreams (in advance of second TC meeting and augmented by survey of institutions);
- (iv) Identify options in consultation with TC Members based on scoping paper and background paper and further inputs from TC Members (second TC meeting);
- (v) Consolidate and reduce options in consultation with TC Members (at second technical workshop);
- (vi) Table an options paper on entire workstream discussion for consideration by TC Members, (at third TC meeting).

6. This proposed workplan is an initial proposal, and is drafted in a way that will allow it to evolve based on the views of TC members. The process is to remain driven by TC Members. Inputs on specific issues will be sought from TC members during the entire process, decisions will be made by TC Members in formal meetings, and as well will be solicited from major stakeholder groups, including civil society and the private sector, prior to and during the 2nd Workshop.

a) Sub-workstream II.1: Legal and institutional arrangements

7. This sub-workstream will address the legal status and formal relationships of the GCF and its institutional components (the Board, the Secretariat, the Trustee, and the Implementing Partners and other relevant elements, including mechanism for expert, technical and stakeholder input). Inputs will be solicited initially regarding:

- (i) The legal status (capacity or personality) of the GCF and its components, how such status will be conferred, and the possible liabilities of the components;
- (ii) The legal relationships between the GCF and its implementing partners, both multilateral and national;
- (iii) The accountability relationship between the UNFCCC COP and the GCF components (principally the Board, Secretariat, and Trustee).

b) Sub-workstream II.2: The Board

8. This sub-workstream will address issues related to the GCF Board. Inputs will be solicited initially regarding:

- (i) The composition and election of the Board, including: the election of members and regional distribution among UN regions; the role of non-governmental actors; the election of Chair(s) and duration of members' service;
- (ii) The mandate and responsibilities of the Board, especially the extent to which the Board will engage in project/programme approval;
- (iii) The rules of procedures and functioning of the Board, especially decision-making processes.

c) Sub-workstream II.3: The Secretariat

9. The sub-workstream will address issues related to the GCF Secretariat. Inputs will be solicited initially regarding:

- (i) The establishment of the independent Secretariat, as well as its legal status, composition, and recruitment procedures;
- (ii) The mandate and functions of the Secretariat, including its role (if any) in project/programme review, and MRV;
- (iii) Relationship with implementing institutions, including project cycles and division of responsibility.

d) Sub-workstream II.4: Trustee Arrangements

10. This sub-workstream will focus on the trustee and will be closely coordinated with Workstream III.2 dealing with managing large-scale finance. Inputs will be solicited initially regarding:

- (i) Issues regarding the role of the trustee (in addition to 1/CP.16, Paras 104-108), including the investment strategy of the trust fund;
- (ii) From where the trustee receives instructions (Board or Secretariat);
- (iii) Relationship between the trustee and implementing institutions, particularly in relation to internationally accepted fiduciary standards;
- (iv) The review process for interim trustee and process for selection of permanent trustee.

e) Sub-workstream II.5: Coherence with the other operating entities of the financial mechanism and other climate, environment, and development finance

11. This sub-workstream will focus on how the GCF will work alongside other elements of the public climate finance landscape, both in terms of governance and mandate/activities. This will be strongly influenced by Workstream I on scope, functions, and guiding principles. Inputs will be solicited initially regarding:

- (i) The relationship between the GCF and the Standing Committee once constituted;
- (ii) Methods to ensure complementarity at the national and international level between the GCF and other bilateral, regional, and multilateral funding mechanisms and institutions as well as carbon markets;
- (iii) The specific relationship and complementarity with the GEF and Adaptation Fund within the UNFCCC financial mechanism.
