

Submission by members of Transitional Committee

In the context of the fourth meeting of the Transitional Committee, the Secretary of the Transitional Committee received 4 additional submissions from members of the TC which are contained in this document and reproduced without formal editing¹.

Compilations of previous submissions received from members of the Transitional Committee have been uploaded on UNFCCC website (http://unfccc.int/cancun_agreements/green_climate_fund/items/5868.php).

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

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1. Submission by Mr. Omar El Arini (Egypt) on behalf of the TC members from Burkina Faso, China, Democratic Republic of Congo, Egypt, El Salvador, India, Morocco, Nicaragua, the Philippines, Saudi Arabia

18 November 2011

The Co Chairs and the Secretariat
Transition Committee for Green Climate Fund

Dear Sirs

We would like to submit the attached document with our proposals to amend the Annex of the draft TC report, as our constructive contribution to the process.

Suggested deletions of text are denoted by striking out of the words, and suggested additions to text are printed in bold. Explanatory notes are provided in some cases.

We request that you take our proposed changes into account when preparing new drafts.

This document is submitted on behalf of the members from the following countries: Egypt, China, India, Nicaragua, the Philippines, El Salvador, Democratic Republic of Congo, Morocco, Burkina Faso, Saudi Arabia.

Thank you.

Yours sincerely

Omar El Arini

Latest Proposed Changes to Co Chairs Text --- changes are in bold

Annex

Draft governing instrument for the Green Climate Fund

The Green Climate Fund (hereinafter the Fund), ~~is hereby~~ established **in accordance with Decision 1/CP16 paragraph 102**, and will operate in accordance with the following provisions:

1. Objectives and guiding principles

1. The Fund will contribute to the objective of the United Nations Framework Convention on Climate Change (UNFCCC), and to a **further** shift **towards sustainable, low-emission and climate-resilient development pathways** ~~sustainable development~~ by providing support to developing countries **for adaptation and mitigation activities** ~~to adapt to the impacts of climate change and limit or reduce their greenhouse gas emissions~~. To this end, and to enhance the implementation of the Convention, the Fund will channel new, additional ~~and~~ predictable **and adequate** financial resources **from developed** to developing countries ~~and will leverage additional public and private finance~~

Deletion in the first line is proposed as to “low-emission and climate-resilient development pathways”. This phrase is not in the Cancun decision. Paragraph 6 of the Cancun decision refers to “low-carbon development strategy” while para 65 of the decision refers to “low-carbon development strategies or plans in the context of sustainable development”. Section II of the Cancun decision refers to adaptation and in paragraph 14c refers to “enabling environments for adaptation, including for climate-resilient development and vulnerability reduction”. Therefore, the phrase used under the objective is not consistent with the Cancun decision by introducing new notions which have not been agreed to. Throughout the document, consistency with the Cancun decision and the Convention and the Bali Action Plan must be maintained in the use of phrases. “Adequate” finance is also in the Convention and in Cancun decision (para 97) and should not be missed out here.

Deletion in the second line is proposed as it appears that the Fund will leverage additional public and private finance. This is contrary to the Cancun decision paragraphs 97 and 98 which requires developed countries to mobilize the resources.

“Leveraging” is a new term not in the TOR, and should not be included, especially not in Objectives. Leveraging private finance should not be an objective of the Fund. In addition, paragraph 98 of the Cancun decision refers to the mobilizing of resources and not leveraging of resources. The paragraph does not indicate where the mobilization of resources will be done and implies mobilization in developing countries too which is contrary to the obligations of the Convention.

Overall---It is better to have a neutral sounding objective with agreed terms such as mitigation and adaptation, and not to introduce concepts and terms etc with loaded meanings and which are not agreed to or not clearly understood.

2. The Fund will be guided by the relevant principles and provisions of the Convention, ~~including in particular~~ the principle of **equity and** common but differentiated responsibilities and respective capabilities, ~~and by the principles of efficiency and effectiveness,~~ and will operate in a transparent, ~~and~~ accountable, **efficient and effective** manner. The Fund will ensure a country-driven approach and promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders. The Fund will be scalable and flexible, and will be a continuously learning institution guided by processes for monitoring and evaluation. The Fund will achieve a balance between adaptation and mitigation, ~~maximise~~ **promote** environmental, social, economic and development co-benefits and take a gender-sensitive approach.

NOTE: Efficiency and effectiveness should not be elevated to principles, and efficient and effective can be added to the “manner.”

2. Governance and institutional arrangements

2.1 Membership

3. All Parties to the UNFCCC ~~will be~~ **are** members of the Fund.

2.2 Relationship to the Conference of the Parties

How can the different perspectives on the relationship between the COP and the Board be reconciled? In particular:

i. How to organize the reporting by the Board to the COP?

ii. What are the criteria for nominations of Board members and the selection of the head of the secretariat?

iii. Could the COP commission an independent evaluation of the GCF?

iv. How can the relationship between the COP and the GCF be codified?

Does the draft text below reflect a possible middle ground between the different perspectives?

4. The Fund ~~is will be designated~~ as an operating entity of the financial mechanism under Article 11 of the Convention and ~~will be~~ **that is** accountable to and function under the guidance of the Conference of the Parties (COP).

5. The Fund ~~will be~~ **is** governed by a Board that will supervise and manage the Fund, and that will have ~~full~~ responsibility for funding decisions, such as funding and disbursement modalities, **under the guidance of the Conference of Parties, to which the Fund and Board are accountable.**

6. Arrangements will be concluded between the COP and the Fund, consistent with **Article 11.3** of the Convention, to ensure that the Fund is accountable to and functions under the guidance of the COP.

7. In order to ensure accountability to the COP, the Board will:

(a) Submit annual reports to the COP for its consideration **and appropriate action**, including on **the Fund's activities, financial operations including revenues and funded activities, annual budget, and** matters related to policies, programme priorities and eligibility criteria and matters related thereto;

(b) Receive guidance from the COP; and

(c) Take **appropriate** action in response to the guidance received, ~~as appropriate.~~

8. The COP may commission an independent evaluation of the overall performance of the Fund.

2.3 Legal status

How can the different perspectives on the legal attributes of the GCF be reconciled? In particular:

i. What kind of legal personality or capacities are required?

ii. How should such legal personality and capacities be conferred in an expeditious manner?

Does the draft text below reflect a possible middle ground between the different perspectives?

9. The Fund will possess international juridical personality and will enjoy such legal capacity as is necessary for the exercise of its functions and the protection of its interests.

10. The Fund will, **in the territory of the host country**, enjoy such privileges and immunities as are necessary for the fulfilment of its purposes. The officials of the Fund, **as international civil servants**, will ~~similarly~~ **also** enjoy such privileges and immunities as are necessary for the independent exercise of their official functions in connection with the Fund.

~~11. Each member of the Fund will take such action as is necessary under its national laws for the purpose of making effective paragraphs 9 and 10 above and will inform the Board of the detailed action that it has taken.~~

Para 10 is mainly from Montreal protocol Multilateral Fund except the term “in the territory of the host country” was left out and should be put back. Para 11 should be deleted as it is too ambitious to be mentioned as necessary in the instrument as it takes time to get immunity arrangements in each member.

2.4 Rules of procedure of the Board

A. Composition

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

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

B. Selection of Board members

14. The members of the Board and their alternates will be selected by their respective constituency or regional group within a constituency **and be endorsed by the COP**. Members of the Board will ~~be high ranking and~~ will have the necessary experience and skills, notably in the areas of finance, climate change and development; due consideration will be given to gender balance.

NOTE: Endorsement by COP is needed to put into effect the Fund’s accountability to the COP. The formation of the Board, and the Board itself, should be accountable to the general membership.

C. Term of membership

15. Half of the members, and their alternate members, will serve for an initial term of three years, and half of the members, and their alternate members, will serve for an initial term of two years. Thereafter, all members and alternate members will serve for a term of three years and be eligible to serve for a maximum of two consecutive terms.

The above proposal is similar to that of the Technology Executive Committee with the only difference being that the duration of membership in the TEC is for 2 years.

From 13 countries’ proposal:

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

D. Chairmanship

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

E. Decision-making

17. Decisions of the Board will be taken by consensus of the Board members. If all efforts at reaching consensus have been exhausted and no agreement has been reached, decisions will be taken by a two-thirds majority of the Board members present and voting, representing a two-thirds majority of Board members from developed country Parties and a two-thirds majority of Board members from developing country Parties.

F. Quorum

~~18. A simple majority of Board members from developed country Parties and a simple majority of Board members from developing country Parties must be present at a meeting to constitute a quorum.~~

At least two-thirds of the members of the Committee, representing a two-third majority of members from Parties included in Annex I to the Convention and a two-third majority of members from Parties not included in Annex I to the Convention, must be present to constitute a quorum.

Note: This proposal is from the Technology Executive Committee procedures.

G. Role and functions

19. The Board of the Fund will:

- (a) Provide supervision and strategic direction in the management of the Fund;
- (b) Oversee the operation of all relevant components of the Fund, including the trustee, secretariat, windows and substructures/facilities, Board sub-committees, implementing entities, and expert, advisory and evaluation panels;
- (c) Approve operational modalities, access modalities and funding structures;
- (d) Approve specific operational policies and guidelines, including programming, project cycle, administration, and financial management;
- (e) Oversee the Fund's replenishment processes;
- (f) Approve funding in line with the Fund's principles, criteria, modalities, policies and programmes;
- (g) Develop environmental and social safeguards and fiduciary principles and standards that are internationally accepted;
- (h) Develop criteria and application processes for the accreditation of implementing entities of the Fund;
- (i) Accredite implementing entities and withdraw such accreditation;
- (j) Establish sub-committees and panels and define their terms of reference, as appropriate;
- (k) Establish additional thematic windows and/or sub-structures to address specific activities, as appropriate;
- (l) Establish a framework for the monitoring and evaluation of performance and the financial accountability of activities supported by the Fund and for financial performance and external audits of the secretariat and of the implementing entities with regard to activities supported by the Fund;
- (m) Review and approve the administrative budget of the Fund and arrange for performance reviews and audits;
- (n) Appoint the head of the secretariat, the head of the evaluation unit, and the head of all accountability units;
- (o) Prepare annual reports to the COP **including on its activities and its financial operations and budget**, and receive guidance and take action in response to any guidance from the COP; (**Note: consistent with art 11.3c of Convention to provide funding operations reports**)

- Prepare criteria for allocation of resources among recipient countries and forward these to the COP and to receive guidance on this
- To ensure that funded projects are in conformity with policies, priorities and eligibility criteria established by COP (article 11.3(a) of Convention); that funding decisions may be reconsidered in light of the policies, priorities and criteria established by COP (Article 11.3(b); to provide information to cop relevant to determining amount of funding necessary and available to implement the convention (article 11.3d) (In short, can be: To ensure fulfillment of functions relevant to articles 11.3a, 11.3b, 11.3c and 11.3d of the Convention)

(p) Develop working and coordination arrangements with, and provide information to, other relevant bodies under the Convention and other relevant international institutions;

(q) Select, appoint and enter into legal and administrative arrangements with the trustee;

(r) Exercise such other functions as may be appropriate to fulfil the purposes of the Fund.

H. Observers

20. **All Parties to the Convention enjoy observer status to the Fund's Board.** The Board will make arrangements, including developing and operating accreditation processes, to allow for effective participation by accredited observers in its meetings and other activities as appropriate. It may also set up advisory committees of private sector and civil society representatives to provide input on the operations of the Fund.

The language here in relation to setting up of advisory committees of the private sector and civil society is not obligatory and may be a good thing.

I. Compensation

21. The full costs of travel and daily subsistence allowance at the United Nations standard rate of eligible members and alternates to attend meetings of the Board, or any ancillary meetings decided by the Board, shall be provided from the budgets of the Board and the Fund secretariat. Travel shall be arranged in accordance with standard United Nations rules.

22. The costs of travel and daily subsistence allowance of the Co-Chairs of the Board, irrespective of the group of Parties they represent, shall be provided from the budget of the Board and the Fund secretariat, when travelling on business of the Fund, subject to authorization by the Board.

J. Additional rules of procedure

23. Additional rules of procedures ~~will be~~ **may be recommended** ~~developed~~ by the Board **for the approval of the COP.**

2.5 Secretariat

A. Establishment of the secretariat

24. The Fund will establish a secretariat, which will be fully independent, including from its implementing entities, the trustee, the UNFCCC secretariat, and any other financial institutions. The secretariat will service and be accountable to the Board. It will have effective management capabilities to execute the day-to-day operations of the Fund.

25. The secretariat will be headed by an Executive Director with the necessary experiences and skills, who will be appointed by and be accountable to the Board. The Board ~~will develop~~ **approve** the job description and qualifications for the Executive Director **which shall be approved by the**

Conference of Parties. The Executive Director will be selected by the Board through a merit-based, open, and transparent process and endorsed by the COP.

Additions proposed as otherwise the COP has no role in the appointment of the ED.

26. The secretariat will be staffed with professional staff with experience in finance including risk assessment, climate change, management, administration, accounting, development, including knowledge of sustainable development and poverty eradication, and other relevant fields. The staff selection will be managed by the Executive Director and will be open, transparent and based on merit, taking into account geographical and gender balance.

26 A. To avoid any actual, potential or apparent conflict of interest of the Fund Secretariat staff, no member of the staff will have been associated with the Fund Trustee during the last 5 years before starting his/her work with the Fund.

27. The selection of the host country of the Fund will be an open and transparent process to be established and conducted by the COP which will make the final decision.

B. Functions

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

- (a) Organize and execute all administrative duties related to the Board meetings and that of Board sub-committees and panels, where relevant;
- (b) Report information on the Fund's activities to the Board and the public, ensuring transparency of the Fund's operations by reporting and publishing financial information, approved programme and project methodologies, and other information relevant to stakeholders;
- (c) Liaise with members, implementing entities, and cooperating bilateral and multilateral institutions and agencies;
- (d) Prepare performance reports on the implementation of activities under the Fund for review by the Board;
- (e) Develop the work programme and annual administrative budget of the secretariat and trustee and submit them for approval by the Board;
- (f) Operationalize the project and programme cycle, including the following processes:
 - (i) Screening for eligibility, financial due diligence and technical review of proposals by developing countries to be presented to the Board for approval;
 - (ii) Assessing and, where appropriate, offering recommendations to the Board regarding country programmes and funding plans developed by the recipient countries;
 - (iii) Managing the portfolio of current and pipeline projects and programmes, and maintaining and distributing periodically a current inventory of activities.
- (g) Prepare grant, loan, guarantee agreements or any other arrangements and agreements related to the specific financing instrument to be concluded with an implementing entity;
- (h) Monitor the financial risks of the outstanding portfolio (loans, guarantees, equity investments, etc.);
- (i) Work with the trustee to support the Board to enable it to carry out its responsibilities;

- (j) Carry out monitoring and evaluation functions;
- (k) Support the Board in arranging replenishment processes;
- (l) Establish and run effective knowledge management practices;
- (m) Manage the cooperation with international and multilateral institutions and entities;
- (n) Perform any other functions assigned by the Board.

What is missing as compared to the group of 13 submission is as follows –

- **Monitoring and evaluating expenditures incurred under the Fund for review by the Board;**
- **Maintaining and circulating periodically a current inventory of projects with the aim to avoid duplication of effort between the implementing agencies and other institutions];**
- **Preparing for the Board an annual assessment of bilateral and other contributions to the Fund**
- **Preparing performance reports on the implementation of activities under the Fund for review by the Board;**
- **Monitoring the activities of the national implementing entities and, if applicable, the implementing agencies based on their oral and written reports;**
- **Encouraging the relevant Parties to make prompt payment of their contributions towards the Fund;**
- **Providing other administrative and support functions for the Board;**
- **Submitting annual activity reports and annual accounts to the Board for its approval, and to the Conference of Parties for their adoption;**
- **Making arrangements for meetings of the Board, including the issue of invitations, preparation of documents, and reports of meetings; and**

2.6 Trustee

A. Role and functions of the trustee

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

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

B. Selection

31. The World Bank ~~will~~ **is invited to** serve as interim trustee for the Fund subject to a review three years after the operationalization of the Fund.

Change proposed to be consistent with decision 1/CP 16 para 107

32. The Board will ~~conduct—select and appoint the trustee through~~ an open and transparent **competitive bidding** process **to evaluate candidates to serve as the trustee of the Fund. Based on the results, the trustee will be selected and appointed by the COP. The open bidding process will start 18 months before the expiry of the term of the interim trustee and the appointment of the trustee.**

Note: The following is from the 13 countries' proposal which is missing which can be considered :

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

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

C. Relationship with the Board

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

3. Administrative costs

34. ~~The Fund will finance the operating costs of the Board, secretariat and trustee. will be covered by investment income from undisbursed funds; and/or with support from the host country; and/or will be taken off the top of the Fund's resources.~~

4. Financial inputs

36. Financial inputs by governments from developed country Parties to the Convention will be provided through a multi-year replenishment process **based on assessed contributions**. Such processes will be informed of the results of evaluation processes, as appropriate.

37. Other financial inputs to the Fund, including further government financial inputs, can be received at any time. Inputs can be accepted in a variety of forms.

35. The Fund will receive financial inputs from a variety of sources, public and private, including alternative sources.

Note: proposal is to change the order of the 3 paragraphs

5. Operational modalities

38. The Fund will provide simplified, improved and direct access to funding by developing countries, basing its activities on a country-driven approach with recipient countries involved in the identification, formulation and implementation of programmes, projects and other climate change-related activities, ensuring transparency and accountability, and will encourage the involvement of relevant stakeholders.

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

5.1 Complementarity and coherence

40. The Fund shall operate in the context of appropriate arrangements between itself and other existing funds under the Convention and between itself and other funds, entities, and channels of climate change financing that are being undertaken outside the framework of the financial mechanism.

41. The Board will consider methods to enhance complementarity **between the Fund's activities and coherence with those of** other relevant bilateral, regional and global funding mechanisms and

institutions, including through collaborative arrangements. ~~and by discussing with the governing bodies of other funds options for integrating their operations into the Fund.~~

42. ~~Recipient countries will enhance coherence in programming at the national level through appropriate mechanisms. Country programmes and funding plans submitted to the Board will demonstrate measures to enhance complementarity and coherence with other relevant funding sources.~~

5.2 Eligibility

43. All developing country Parties to the Convention are eligible to receive resources from the Fund. The Fund will finance **agreed** full and incremental costs **in accordance with the Convention's provisions in particular Article 4.3**, ~~as determined by the Board~~, for activities to enable and support enhanced action on adaptation, mitigation (including REDD plus), technology development and transfer (including carbon capture and storage), capacity building and the preparation of national reports by developing countries.

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

44 bis The Board will formulate detailed operational guidelines for plans, programmes and projects that are eligible for funding in each of the thematic areas covered by the Fund, taking into account the recommendations of relevant thematic bodies under the Convention as well as the policies, programme priorities and eligibility criteria decided by the Conference of the Parties. In each thematic area, criteria will be developed to provide clear guidance on the types of activities that are entitled to the provision of financial resources.

5.3 Funding windows and fund structure

45. The Fund will have thematic funding windows. Initially the Fund will have windows for **adaptation, and mitigation, technology and capacity-building**. An integrated approach to funding ~~the windows mitigation and adaptation~~ will be used to allow for cross-cutting projects and programmes.

46. ~~Resources for capacity building, technology development and transfer, and initiatives to promote innovation, as cross-cutting themes, will be provided across all thematic funding windows and substructures/facilities.~~

47. The Board will have the authority to add and remove additional windows and substructures / facilities as appropriate.

5.X Readiness and Preparatory Support

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

5.Y Private Sector

How can the different perspectives on how to engage the private sector through the GCF.s operations be reconciled? In particular:

- i. Should there be a specific thematic funding window for private sector related operations?*
- ii. Should private sector activities only take place through other thematic funding windows?*

Does the draft text below reflect a possible middle ground between the different perspectives?

~~49. The Fund will have a private sector facility that enables the Fund to directly and indirectly finance private sector mitigation and adaptation investments.~~

~~50. The facility will leverage private finance at national, regional, and international levels, including by promoting the participation of local private sector actors in developing countries, including small and medium sized enterprises and local financial intermediaries. The facility will also support activities to enable private sector involvement in SIDS and LDCs.~~

~~51. The Board will develop appropriate arrangements for the facility, including its funding, governance, access modalities and approval procedures, ensuring consistency with a country driven approach.~~

5. Y Private Sector

49. The private sector in developed countries is encouraged to make supplementary contributions to the Fund.

50. The private sector in developing countries can access the Fund's resources through its dedicated national authority. The Developing countries can promote the participation of the local private sector including SMEs and local financial intermediaries

Optional paragraph

51. The Board may develop further plans to engage with the private sector, while ensuring the fund is not (unnecessarily) exposed to financial risk, vulnerability and instability. These plans will be submitted to the COP for its further consideration.

5.4 Access modalities and accreditation

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

53. Recipient countries will designate a national designated authority that will be responsible for considering and if appropriate endorsing programme and project proposals.

This authority will coordinate funding proposals for the Fund in the context of national climate plans and strategies, including through consultation processes.

Direct Access

54. Recipient countries will nominate competent sub-national, national and regional implementing entities for accreditation to receive funding. Once accredited, an entity may then enter into agreements with multiple executing agencies, consistent with internationally accepted fiduciary principles and standards and environmental and social safeguards developed by the Board, at the regional, national and/or sub-national level, for the implementation of particular activities.

The proposal by the group of 13 submission is as follows in Article 15 - Eligible Parties shall be able to submit their project proposals, prepared in accordance with project preparation eligibility criteria agreed by the Board, either directly to the Fund Board or through an implementing or executing agency chosen by them.

International Access

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

Accreditation

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

57. The Board may develop different levels of accreditation, with differentiation for types of activities or entities as may be deemed appropriate and necessary to achieve the objective and principles of the Fund, while maintaining consistency with the Fund's fiduciary principles and standards and environmental and social safeguards.

Financing agreement with implementing entities

58. The Fund will enter into financing agreements with the implementing entities and will oversee compliance with those agreements. Accredited implementing entities will be liable to the Fund for finance from the Fund that they manage.

5.5 Allocation

59. The Board will balance the allocation of resources between adaptation and mitigation activities under the Fund and will ensure appropriate geographic balance. The Board will also allocate resources for capacity-building, national reporting, readiness and preparatory activities, technology development and transfer, initiatives to promote innovation, ~~private sector and civil society stakeholder~~ engagement at the national level, and other ~~cross-cutting~~ issues as appropriate.

60. ~~A results based approach will be an important criterion for allocating funding for mitigation.~~

Note: A results based approach is only contained in the Cancun decision under REDD-plus activities in paragraphs 73 and 76 and is still being negotiated and is premature and misleading to say that it is an important criterion.

61. In allocating resources for adaptation, the Board will take into account the urgent and immediate needs of developing countries, **including those** that are particularly vulnerable to the adverse effects of climate change, including LDCs, SIDS and Africa.

62. ~~Taking into account expert and technical advice,~~ **In accordance with the provisions of the Convention, particularly Article 11, and the guidance from the Conference of Parties,** the Board will develop ~~a system~~ **criteria** for allocating resources among recipient countries, ~~and regions based on the following criteria:~~ **for the COP to approve.**

- ~~(a) Vulnerability and mitigation potential;~~
- ~~(b) A minimum floor for LDCs, SIDS and Africa;~~
- ~~(c) Result based approaches; and/or~~
- ~~(d) Other criteria developed by the Board.~~

Note: The allocation of resources among countries and among thematic areas (mitigation, adaptation, technology, capacity building etc) and the criteria that will guide this is among the most important areas to be decided on. Thus the COP needs to have the opportunity to review and approve it. Negotiations are ongoing and the outcome should not be prejudged this. The Board would have to discuss and come up with the criteria, which have to be based on the Convention's provisions and the relevant decisions of the COP or recommendations of the subsidiary and thematic bodies. The draft's criteria should not prejudice the process required.

5.6 Programming processes Country proposals and approvals

Programming processes-Proposal processes

63. ~~The Fund's programming strategy will build on country programmes and the funding plans of recipient countries. Country programmes will form the basis for funding proposals for programmes, projects and other climate change related activities to be submitted by a country over several years. Developing countries' proposals for funding may be in various forms as decided on by the country, such as Funding plans submitted for approval will include proposals for funding programmes, projects, readiness and preparatory activities, technical assistance and other climate change-related activities.~~

64. ~~Country programme proposals and funding plans~~ **The countries' proposals** will be prepared and processed based on guidelines to be approved by the Board and linked with the country's development and climate change strategies and planning tools including ~~low-emission sustainable~~ development strategies or plans, NAMAs, NAPAs, and NAPs, as appropriate.

65. Individual ~~programme and project~~ proposals for funding, ~~consistent with a country programme or funding plans,~~ will be prepared following guidelines to be established by the Board and ~~may will~~ demonstrate the technical and economic feasibility of the proposal, with the financing plan, and will clearly delineate the climate/**sustainable development** benefits and impacts and other elements as defined in the guidelines. Proposals will be submitted for consideration by the Board, following coordination processes and consultations among all relevant stakeholders at the national, sub-national and/or regional levels as appropriate, including vulnerable groups and addressing gender aspects.

NOTE: The original presumes that all countries must have an overarching country climate change programme, and that all projects will be based on such a programme. However many countries may not have such a programme, or not yet, as it may take a lot of effort and time to prepare one. The changes above provide flexibility and policy space for countries to decide on whether to have a programme, and on the form their proposals take, whether programme or project etc. This is in line with a country-driven approach.

Submissions and approvals

66. Proposals will be submitted by the recipient countries to the Board for approval. In the case of proposals from a group of countries, accredited national and international entities may submit proposals following endorsement from the relevant national designated authorities.

67. The Fund will have a streamlined approval process to enable effective disbursement. The Board may develop simplified processes for the approval of proposals for particular activities, in particular small-scale activities.

6. Financial instruments

68. The Fund will provide financing ~~in the form of~~ **on a grants and or concessional basis in accordance with article 11.1 and other relevant provisions of the Convention.**

~~lending, and through such other modalities, instruments or facilities as may be approved by the Board, including guarantees, equity and other relevant financial instruments.) Financing will provide a grant element tailored to cover at least the identifiable additional costs of the investment necessary to make the project viable. The Fund will seek to leverage and mobilize additional public and private finance through its activities at the national and international levels through its activities.~~

Note: The Convention article 11.1 only mentions grant and concessional financing as methods of financing g for the Financial Mechanism. Instruments such as guarantee and equity opens the road to more risky activities.

69. ~~The Fund may employ results-based financing approaches, including, in particular for supporting mitigation actions, payment for verified results.~~

Note: These terms results-based approaches and payment for verified results are not agreed to and are still under negotiation in AWG LCA and this line should thus be deleted

70. Financial management practices and financing agreements will be in keeping with internationally accepted fiduciary principles and standards to be adopted by the Board. The Board will develop an appropriate risk policy for funding ~~and financial instruments, including risk sharing arrangements with implementing entities,~~ with a view to minimising risk taken by the Fund. (Each implementing entity will be responsible for returning to the Fund, through the trustee, any reflow of funds from a financial instrument provided using Fund resources and/or repayments of **concessional** loans received by it, in accordance with the approval of the Board.)

7. Monitoring

71. The **implementation** of programmes and projects funded by the Fund will be regularly monitored for efficiency and effectiveness in line with rules and procedures established by the Board. The use of participatory monitoring will be encouraged.

72. Implementing entities will submit annual status reports on projects and programmes under implementation or as otherwise decided by the Board. ~~For national implementing entities~~ These reports will be channelled through the respective national designated authority. These will serve as inputs into the annual report to the COP on the overall status of programmes and projects that will be provided by the Board, with the support of the secretariat.

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

The Board will approve the framework for monitoring progress in implementation of funded activities, which will include performance indicators to measure progress in the implementation of funding activities.

8. Evaluation

74. There will be periodic independent evaluations of the overall performance of the Fund in order to provide an objective assessment of the results of the Fund and its effectiveness and efficiency and to identify and disseminate lessons learned and make recommendations to the Board. The results of the periodic evaluations will be published. To this end, the Board will establish an independent evaluation unit as part of the core structure of the Fund in order to inform decision-making by the Board. The head of the unit will be selected by, and report to, the Board. The frequency and types of evaluation to be conducted will be specified by the Board.

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

9. Fiduciary standards

76. The Board will develop and ensure the application of internationally accepted fiduciary principles and standards that will be applied centrally, including to the trustee.s function related to the Fund, and to all operations, projects and programmes financed by the Fund.

77. The Board will establish a process for supporting and strengthening institutional capacities in recipient countries, where needed, with respect to the Fund.s fiduciary principles and standards.

10. Environmental and social safeguards

78. The Board will develop ~~and adopt~~ environmental and social safeguards in line with the objectives and principles of the Fund and internationally agreed conventions, **for the approval of the COP** to be applied to programmes and projects financed using the resources of the Fund.

79. The Fund will provide resources to enhance institutional capacities in recipient countries, where needed, to enable them to meet the Fund's environmental and social safeguards.

11. Accountability mechanism

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

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

82. The Board will establish a redress mechanism that will report to the Board. The mechanism will receive complaints and will evaluate and make recommendations on the implementation of the Fund's social and environmental safeguards by implementing entities.

12. Expert and technical advice

~~83. In carrying out its functions the Board will develop mechanisms to ensure that it draws on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention.~~

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

Note: This is from the 13 developing countries proposal and is more exact.

13. Stakeholder input and participation

~~84. The Board will develop mechanisms to ensure the input and participation of private sector actors in order to mobilize and leverage private sector investment to scale up funding for mitigation, adaptation, technology development and transfer, capacity building and institutional development.~~

Note: The TOR mentions stakeholders without any particular mention of the private sector and thus this sector should be put together with the other stakeholders, by adding it in para 85.

85. The Board will develop mechanisms to enhance the transparency of the Fund's actions and to ensure that governance, financial decisions and Fund operations take into account in the design, development and implementation of the strategies and activities to be financed by the Fund the views and experience of **the private sector**, civil society organizations and other relevant stakeholders, including vulnerable groups, women, and indigenous peoples.

14. Closing provisions

14.1 Amendments to the governing instrument

86. Amendments to this instrument ~~will have to be adopted by be approved by the COP. Amendments can also be recommended, inter alia, by the Board. based on a recommendations of to the Board, and~~ **The amendments** will become effective in accordance with the provisions contained in the decision of the COP approving such amendments.

14.2 Interpretation of the governing instrument

87. **The COP shall have final authority regarding the interpretation of the provisions of this instrument.** The Board may refer any matter concerning interpretation of this instrument to the COP for consideration **and decision.**

14.3 Termination of the Fund

88. **The COP may decide to terminate the Fund in accordance with provisions contained in a decision of the COP relating to such termination.** ~~Termination of the Fund will be approved by the COP based on a recommendation of the Board, and will become effective in accordance with the provisions contained in the decision of the COP approving such termination. The recommendation for approval by the COP will~~ **Such a decision may** include provisions for, inter alia, concluding the affairs of the Fund, for meeting the commitments already made by the Fund, and for the transfer of any remaining funds, assets and receipts of the Fund in an expeditious manner.

Only the COP can decide to terminate the Fund since it is the COP that has established the Fund.

2. Submission by Mr. Omar El Arini (Egypt)

18 November 2011

Transitional arrangements:

The transitional arrangements may include the following elements:

- a) The 24 Board members and their alternates will be nominated by the respective geographic regions, in consonance with Decision 1/COP16, according to criteria to be approved by COP17. Since the Board membership will be determined after COP17, the Board should start functioning during the first quarter in 2012. Board members will be confirmed by COP18.
- b) Pending identification of a host country (for the independent secretariat), an interim secretariat should be established, as early as possible in 2012. The interim secretariat could be co-located with an UN body (e.g. United Nations Office in Geneva-UNOG). This arrangement will ensure the independence of the secretariat from UNFCCC secretariat, the interim trustee, and potential implementing agencies, but would however, provide all the administrative services germane to the functioning of a secretariat, i.e. may issue contracts for secretariat's staff, assists with conference servicing, including travel, for meetings of the Board, and provides treasury functions including pay-roll services..etc. This could be arranged through a letter of agreement between the president of COP 17 and, if agreed, the director of [UNOG] or similar UN body.
- c) An *ad interim* Head of the secretariat could be recruited, for a one year period to undertake specific functions (to be elaborated) by the TC. Such an officer should be recruited on the understanding that she/he will not seek to apply for the post of Head of the Independent secretariat. Additionally, this officer should not be now, or have been for the past 5 years, associated with the interim trustee.
- d) The UN body with which the interim secretariat would be co-located should establish a trust fund to receive contributions earmarked for the running costs of the interim secretariat and for holding the Board meetings in 2012.

3. Submission by Mr. Ciopinski (Poland)

Cape Town, October 16, 2011

Contribution to the discussion on the TC Draft Report
by Poland

Poland thanks the chairs for their effort to streamline the works and for the document prepared. There are several issues which require further discussion. We would like to raise the following issues, which are the most important from the Polish perspective.

GCF membership should be open for all UN countries, and subject to relevant internal procedures in a country that is to become the member of the GCF. This is related to the legal form of the Fund and the way of its establishment; within the currently proposed framework paragraph 3 of the Annex needs to be changed so that it reads "All UN countries may become members of the Fund, subject to relevant internal procedures, such as ratification." We would like to recall paragraph 24 of the Kyoto protocol, as a blueprint. Size of contributions to the Fund should be up to the decision of a donor country and we would like it to be reflected in the document.

The Fund should be an efficient and reliable structure. Therefore we would like to place more emphasis on efficiency, as well as on fiduciary standards. There is no rationale to limit results-based approach to mitigation only. On the contrary, all the Fund's activities should be oriented on results. This calls for relevant allocation rules, monitoring framework as well as for measurement of achieved results, with due respect to the differences between various Fund's activities.

Referring to the questions by the chairs:

- **Relations to the COP**
Current language on reporting is sufficient. Further decisions should be taken by the Board and the COP, should the need arise.
Board members and head of secretariat should be nominated based on merits. Any other criteria may only be auxiliary.
- **Legal attributes of GCF**
Legal status of the Fund should result from its functions and protection of interest of the Fund and its members.
- **Private sector**
Proper involvement of the private sector in scale is crucial for the success of the Fund. The structure of the Fund should facilitate that.

We would also like to note, that providing any recommendation for the COP may not be in line with TC mandate and status.

4. Submission by Ms. Carol Mwape (Zambia)

13 October 2011

Submission to the Transitional Committee by Ms Carol Mwape (TC member Zambia)

The following revised language is proposed for insertion in the Draft Instrument (TC-4/2) after para. 51, as part of sub-section „5.3 Funding windows and Fund structure’, replacing the existing paragraphs 52-58 (including the relevant sub-headings).

* * *

Direct Access and Grants

52. The Fund will have a direct access and grants facility enabling access to Fund resources through accredited implementing and funding entities. Recipient countries will determine the modes of access.

53. *Funding entities*, which may be sub-national, national or regional legal entities or international organizations, will be entitled to approve programmes or projects in accordance with the relevant guidelines developed by the Board, and shall receive resources from the Fund for that purpose. *Implementing entities*, which may be sub-national, national or regional legal entities or international organizations, will implement eligible activities approved and funded by the Board.

54. Recipient countries will designate a national designated authority that will be responsible for coordinating and, if appropriate, endorsing programme and project proposals in the context of national plans and strategies, including through consultation processes.

55. Recipient countries may nominate competent sub-national, national and regional implementing or funding entities for accreditation to receive funding. Once accredited, an entity may enter into agreements with multiple executing agencies, consistent with fiduciary principles and standards as well as environmental and social safeguards developed by the Board and appended to this Instrument, at the regional, national and/or sub-national level, for the implementation of particular activities under the oversight of accredited implementing or funding entities, as appropriate.

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

57. The Board may develop different levels of accreditation, with differentiation for types of activities or entities as may be deemed appropriate and necessary to achieve the objective and principles of the Fund, while maintaining consistency with the Fund’s fiduciary principles and standards and environmental and social safeguards.

58. The Fund will enter into financing agreements with the implementing and funding entities and will oversee compliance with those agreements. Accredited implementing and funding entities will be liable to the Fund for finance from the Fund that they manage.

* * *

Additional, related textual changes:

- (i) Paragraph 2 (Objectives), second sentence: insert “and expanding” after “effective”
- (ii) Add appropriate reference to “funding entities” to any occurrence of “implementing entities”