



## Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change

Presented by Mr. Ayman Shasly (Co-Chair of the eighth Board meeting)

- I am glad to introduce the third annual report of the Green Climate Fund to the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC). Unfortunately my fellow Co-Chair of the eighth meeting of the Board and former Co-Chair of the Fund, Mr. Manfred Konukiewitz, was not able to be here in person.
- This report covers the activities undertaken by the Fund between December 2013 and November 2014, and presents:
  - An executive summary with the main actions and the milestones achieved by the Fund during 2014;
  - An overview of the decisions and actions taken in response to the implementation of the arrangements between the COP and the Fund;
  - An overview of the decisions and actions taken in response to the guidance provided by COP 19, COP18 and COP17 on matters related to policies, programme priorities and eligibility criteria.
  - A note on the status of the institutional linkage between the United Nations and the Green Climate Fund.
  - A brief outline of other activities undertaken by the Fund such as the meetings of the Board and the Initial resource mobilization process, amongst others.
- As you may have noticed in the footnote of the cover page of the report, the submission was not possible to be done 12 weeks before the COP, as requested by the COP last year, in order to include relevant information on the Initial Resource Mobilization process of the Fund, particularly its pledging session on 20 November in Berlin.
- It is worth noting that over the reporting period, the Fund put in place all the essential measures needed to become operational, and successfully launched the initial resource mobilization process. Among the key achievements were:
  - Finalizing all the internal design elements of the Fund, including the Fund's initial approval process, initial results management framework, initial investment and financial risk management framework, and no-objection procedure;
  - Setting in place a readiness programme to support developing countries in their identification and preparation of projects and programmes for funding;



- Successfully launching the initial resource mobilization process with meetings in Oslo, Bonn and Berlin, which resulted thus far in significant pledges of financial support (currently at US\$ 9.7 billion);
- Launching an accreditation process to identify the implementing entities and intermediaries which will be the Fund's financial partners in deploying these resources.
- The Board worked intensely during the year in order to have all these essential measures agreed upon and ready for implementation. The Secretariat meanwhile successfully transitioned from the interim status into the Secretariat of the Fund, being able to support the work of the Board, as well as to move ahead with the effective implementation and operationalization of the Fund.
- The Fund has the ambition to be able to consider funding proposals and start committing resources before the end of the first half of 2015. Both the Board and the Secretariat have shown strong commitment to achieving this goal, and all efforts are being deployed tirelessly on a daily basis to ensure the Fund is on track to deliver on this objective.
- Key achievements relating to the Fund's operational guidelines include:
  - Policies and procedures for the initial allocation of Fund's resources;
  - Initial guiding framework and procedures for accrediting national, regional and international implementing entities and intermediaries, including the Fund's fiduciary principles and standards and environmental and social safeguards;
  - Initial proposal approval process, including the criteria for project and programme funding;
  - Initial investment and financial risk management frameworks;
  - Initial results management framework of the Fund; and
  - Initial no-objection procedure.
- Further to this list, the Board decided that the Fund will work through accredited implementing entities and intermediaries, who may deploy the resources in approved projects and programmes by using financial instruments, focusing on grants, concessional loans, equity, and guarantees.
- A fast-track accreditation process has also been launched, which will allow entities accredited by the Global Environment Facility (GEF), Adaptation Fund (AF) and the Directorate-General for Development and Cooperation – EuropeAid of the European Commission (EU DEVCO), to apply for a focused accreditation before the end of 2014. This will allow the Fund to count with a significant number of national, regional and



international accredited implementing entities and intermediaries for prompt consideration of funding proposals by the first half of 2015.

- Also regarding accreditation, a significant achievement was the introduction of an unprecedented fit-for-purpose approach, which will particularly allow entities from developing countries to apply for accreditation on the basis of their institutional specialization and field of expertise. This will allow the Fund to accredit a wide range of implementing entities and intermediaries.
- The Fund is also making significant progress in the consideration of a Fund-wide gender policy and action plan. This plan is intended to be fully adopted and under implementation in 2015.
- In other aspects, key decisions were adopted by the Board that enable the operationalization of the access modalities of the Fund and also allow the Secretariat to engage with potential recipient countries and provide necessary support, as appropriate. Among others, these elements include:
  - Initial best-practice guidelines for the establishment of national designated authorities and focal points;
  - Initial best-practice options for country coordination and multi-stakeholder engagement; and
  - Detailed work-programme on readiness and preparatory support.
- The Secretariat reached out to developing country Parties to the Convention in order to facilitate a prompt engagement with the Fund. As of the date of this report, roughly 70 countries nominated their National Designated Authorities (NDAs) or focal points. Proactive communication with interested recipient countries is also fully underway in collaboration with relevant institutional partners.
- Regarding readiness and preparatory support, and given its importance for facilitating access to the Fund's resources by developing countries to the Convention, a total of US\$ 16 million were allocated for these line of activities.
- The Board further decided that all deployment of readiness and preparatory support funding will be led by the NDA or focal point, in order to ensure country-drivenness. The NDA or focal point will either be the direct beneficiary of readiness support funding and/or will select delivery partners, including international organizations, and other international, regional, national and sub-national, public or private institutions well-versed in readiness activities.
- With regards to resource mobilization the reporting period saw the commencement of the Initial Resource Mobilization (IRM) process of the Fund. This was started promptly



following the successful outcome of the Seventh Meeting of the Board in May in Songdo, where the key essential requirements for the initiation of the IRM process were adopted by the Board.

- The IRM process included two meetings, one in July in Oslo, and the second in September in Bonn, and a Pledging Conference on 20 November in Berlin.
- The outcome of the Pledging Conference resulted in a total of US\$ 9.7 billion being pledged by contributors participating in the IRM process. Some interested contributors signalled their desire to make formal announcements on their pledges soon, and a few others may consider additional pledges to those already made in Berlin.
- The outcome thus far of the IRM process is unprecedented in the climate finance arena, especially given the short time frame within which this was achieved. However, the IRM is still ongoing and further pledges will be welcome to enhance the success of the Fund's IRM process.
- In the year 2014 milestones in governance, internal structures and administration were also achieved. Amongst these the operationalization of the following units and mechanism saw significant progress through the adoption by the Board of their respective terms of reference:
  - Terms of reference of the Evaluation Unit;
  - Terms of reference of the Integrity Unit; and
  - Terms of reference of the redress mechanism.
  - Further, the Board was able to establish the following committees and panels:
    - Accreditation Committee;
    - Accreditation Panel; and
    - Technical Advisory Panel.
- With regards to the Trustee arrangements, including the review of the Interim Trustee and the initiation of a process to select the Trustee of the Fund, the Board decided to invite the World Bank to continue serving as the Interim Trustee until a permanent Trustee is appointed. The process to appoint the permanent Trustee should end no later than the end of 2017, to enable the permanent Trustee to commence its contractual agreement with the Fund no later than April 2018.
- Regarding administrative matters, key achievements during the reporting year included:
  - Adoption of the Administrative Policy of the Fund;



- Administrative Guidelines on Human Resources for a period to last until the end of 2015, and with a view to reviewing the guidelines at its last Board meeting of 2015;
- The adoption of the International Financial Reporting Standards as the accounting standard for the Fund, and the approval by the Board of the terms of reference of the External Auditor.
- Importantly, 2014 also saw the full establishment of the Secretariat of the Fund at its Headquarters in Songdo, Republic of Korea. This also included the successful selection and recruitment of the senior management of the Secretariat.
- In this context and taking into account the broader mandate of the Fund, 2014 set a solid basis for the Fund to transit towards an effective institution that is able to programme and disburse resources for projects and programmes that comply with agreed criteria, by engaging with key partners, using the financial instruments at its disposal, and operating in an accountable and transparent manner.
- Going forward, an important element for the Fund to operate effectively and to protect its assets, is to have the Fund, its Board members and staff covered by privileges and immunities. In this respect the Fund proposes a two way approach:
  1. Seeking a linkage to the UN for which the COP may want to consider a request to the UNFCCC secretariat to explore possible linkage with UN, reporting back to the COP at its 21st meeting; and
  2. Seeking bilateral agreements on privileges and immunities for which the COP may want to consider recommending all Parties to enter into bilateral agreements with the Fund promptly providing for such privileges and immunities.