

# Inching Forward

The Second Meeting of the Green Climate Fund  
Board and the Nitty-Gritty of GCF Operationalization

*By Liane Schalatek*



## ABOUT THE AUTHOR

**Liane Schalatek** is the Associate Director of the Heinrich Böll Foundation North America. She has participated as a civil society observer in the Transitional Committee design process for the Green Climate Fund in 2011 and reported about all TC meetings. She also attended as accredited civil society observer the first meeting of the GCF Board in Geneva, Switzerland and the second one in Songdo, South Korea. A special interest of her work on climate finance is to increase the gender-responsiveness of existing instruments and funding structures.

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Author: Liane Schalatek  
Design: Anna Liesa Fero  
Cover image: Liane Schalatek

### Heinrich Böll Stiftung

**Washington, D.C. Office**  
1432 K Street, NW  
Suite 500  
Washington, D.C. 20005  
United States  
**T** +1 202 462 7512  
**F** +1 202 462 5230  
**E** [info@us.boell.org](mailto:info@us.boell.org)  
[www.us.boell.org](http://www.us.boell.org)

## Inching Forward

### The Second Meeting of the Green Climate Fund Board and the Nitty-Gritty of GCF Operationalization \*

Where the first meeting of the Board of the Green Climate Fund (GCF) in late August was dominated by an awareness of its history-making and imbued with goodwill and optimism, at the second GCF Board meeting in Songdo, South Korea from October 17 - 20 the mood was decidedly more somber, if not irritated at times as the sometimes frustratingly slow nitty-gritty of the technocratic work to operationalize the Fund fully by early 2014 began in earnest. As the Fund is inching forward, some of the fundamental differences among the 24 Board members and their alternates about their different visions for the Fund – unresolved in the design process for the GCF in the Transitional Committee last year – resurfaced and sometimes stalled progress in the full Board. Not surprisingly, the two Board Co-Chairs had to focus their attention in Songdo primarily on how to move the process forward, while not burying disagreements and addressing procedural discontent. They sought help in assigning teams of Board members to consult informally throughout the meeting on ways to bridge differences as well as tasked them, confirmed by the full Board, to make progress on issues to be discussed at the next GCF Board Meeting in Berlin, Germany from March 12 – 15, 2013. Three separate teams of Board members, assigned in Songdo, will work inter-sessionally until Berlin on preparing full Board discussion and decision on the selection of the Executive Director for the GCF, the Fund’s business model as well as the additional rules of procedures needed to ensure accountability, transparency and inclusivity in the way the GCF Board and the Fund conduct their work.

The most concrete outcome in Songdo was the selection of South Korea as the future host of the GCF from a field of six bidding countries. Upon confirmation by the Conference of Parties (COP) at its 18<sup>th</sup> meetings in Doha, South Korea and the Board will work on a host country agreement as a prerequisite to confer legal personality to the Fund as speedily as possible post-Doha. COP 18 will also receive the first annual report of the GCF to the Parties as agreed on in Songdo, but might not address the details of the arrangements necessary to ensure that the GCF “will be accountable to and function under the guidance” of the COP, as the GCF’s Governing Instrument demands. In Songdo, Board members could not agree on who – the Board or the COP – would have the prerogative of defining the terms of that relationship.

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\* Author’s note on the information provided in this report: In contrast to the proceedings for the design of the GCF in the Transitional Committee last year, the Songdo meeting was not webcast or archived; thus far no official record of the meeting has been shared with the public. This reflects the fact that the new Board so far has had no agreement on an information disclosure policy for Board meetings. This therefore omits the attribution of statements made during the Board meeting to specific members. In the spirit of transparency and information sharing with those not able to participate, the summary report’s intent is to reflect on some of the key issues and exchanges of the Songdo meeting. It is based on notes taken by the author as well as on the content of hard copies of preparatory documents for the Songdo meeting shared with observers present in Songdo, but not (yet) distributed electronically or posted on the GCF website.

## Board Reports

With a plea by the South African Co-Chair to conduct the second Board Meeting of the Green Climate Fund (GCF) from October 18-20, 2012 in Songdo, South Korea in a “focused, dedicated and disciplined” manner in the spirit of a corporate board instead of a political negotiating body, the three-day meeting of the 24 Board members (among them a new Board member from China, see detailed listing of Board members in Annex I), their alternates and advisors started with the approval of several reports by the Board, among them the adoption of the summary report of the last Board meeting and a report of activities of the Co-Chairs and the Interim Secretariat to Board members up until Songdo. Another report, namely an activity report of the GCF Board to the UNFCCC Conference of the Parties (COP), was discussed and approved later in the three day meeting.

In the discussions on these agenda items, it became very clear that in the continued absence of an official information management and disclosure policy (which still has to be elaborated by the Board) public notification and information sharing of the discussions, actions and decisions of the Board of the GCF remains severely hampered. Such an information management policy would cover the Board’s and Secretariat’s interaction with the media, but also the representation of the Fund in meetings of other international bodies. As an example, the Board was only able to approve the summary report with the decisions of its first meeting in Geneva in late August at the beginning of its second meeting in Songdo, South Korea in late October. As of late November (almost three months after the Board’s first meeting), this summary report was not yet published on the GCF website ([www.gcfund.net](http://www.gcfund.net)), despite the Board’s decision in Songdo to release it. A similar delay is likely for the summary report of the second Board Meeting, whose final version might only be approved and released at the third Board Meeting of the GCF in mid-March 2013. These information lags and delays hinder the interested public’s capacity to follow the discourses in the GCF Board – a crucial ingredient to built acceptance and support for the Board’s work in the early days of the Fund -- and undermine the Fund’s credibility as well as the public’s ability to hold the Board and its members to account.

Board members also asked for improvements in the information flow within the Board, such as the early sharing of preparatory documents well in advance of meetings (ideally 21 days before) and the circulation of Board member’s comments or submissions on various issues with the rest of the Board, for example via an electronic information-interface. At the same time, some Board members expressed worries that the Interim Secretariat might share too much information with the World Bank in its role as Interim Trustee and urged to consult the Interim Trustee only on Board papers of relevance to the World Bank’s function and standing with the GCF.

Contrary to the practice in the Transitional Committee (TC) last year, and in other climate funds (for example the Adaptation Fund, the Climate Investment Funds or the GEF Council Meetings), the GCF Board does currently not release its preparatory documents publicly by posting them on its website in advance of the Board meetings; those documents were also not shared with registered observers to the GCF Board meeting before the meeting and are as of mid-November not posted post-meeting either.<sup>1</sup> These issues are to be decided in the context of pending additional rules of procedure for the GCF, on which the Board has not been able to come to decisions in its last two board meetings, and which will thus come up again for discussion at the next board meeting in Berlin from March 12 – 15, 2013.

## Additional Rules of Procedure

The Governing Instrument for the GCF specifies important, yet largely rudimentary rules of procedure for the Board, including its composition, the selection of Board members and their

term, as well as basic rules for decision-making and observer participation (paras. 9-16). Already for the first Board meeting in Geneva, the Interim Secretariat had prepared a draft document with additional rules of procedures, which members then deemed not sufficient and asked to be rewritten for the Board meeting in Songdo to take into account detailed input by Board members. Observers likewise submitted input after Geneva. Covered under the additional rules of procedure are some key questions regarding the transparency and public accountability of the GCF Board and its decisions, including whether Board meetings would be video-recorded or webcast, the public availability of key documents, including preparatory documents for Board meetings and documents for work done inter-sessionally, and the languages other than English in which documents are available and board discussions are conducted.

In Songdo, the Interim Secretariat proposed a new comprehensive set of additional rules of procedure with draft decisions relating to the composition, selection and term of Board membership (Annex II); the role of the Co-Chairs (Annex III); procedures related to Board meetings, such as their frequency, documents transmittal, extraordinary meetings or executive sessions (Annex IV); observer participation and accreditation as well as the role and rights of active observers (Annex V – to be addressed in more detail in the next section); rules governing the organization of the Board’s work in committees, panels, groups and subsidiary bodies (Annex VI); decision-making and voting rules (Annex VII); rules on confidentiality and conflict of interest (Annex VIII); and future amendments to the additional rules of procedure (Annex IX).

The Co-Chairs recognized that for a number of these specific annexes further guidance of the Board is needed while urging Board members at the same time to restrict additional rules to a minimum. This appeal echoed some members’ concern that the proposed additional rules would be overly prescriptive and would undermine flexibility in dealing with inter-sessional work. One of the key question which was already discussed in Geneva was the question of whether the Co-Chairs should maintain their right to vote with several members stressing that any additional rule of procedure should not undermine the principle of 24 votes, allowing for the two votes from the co-chair to come either from Co-Chairs or their alternates but not both. A lengthy discourse developed on the question of the language of Board proceedings and documents, with a number of members across both constituencies strongly in favor of supporting members’ ability to follow and contribute to the Board discussions in other languages than English “on a needs and request basis” as well as for providing translation, for example in the six UN languages, for key GCF documents. Several members stressed that allowing for documents in other than English is a matter of inclusion and urged the Board to set an example in transparency, even more importantly as a signal to the world outside of the Board room. Agreeing in principle, other members warned of the cost-implications of providing documents in all six UN languages and urged instead a careful consideration of the balance between “cost, need, and transparency” and a decision on a case-by-case basis only. Some members scrutinized the costs for Board member travel and Board meetings, urging less costly solutions such as video-conferencing or fewer meetings instead. The issue of cost consciousness was also brought up repeatedly by some developed country Board members as the counter-argument to the appeal of members from developing countries, especially those representing a group of countries (such as in the case of the seats representing small island developing states and least develop countries) to fund advisors to participate in all Board meetings, including in executive sessions. Several Board members from developing countries urged the Board to agree to fund at least one advisor per developing country member seat.

The Co-Chairs asked a team of six Board members and alternates from India, Georgia, Pakistan, Poland, Denmark and the United States (with Pakistan chairing) to consult with each other and the Board throughout the Songdo meeting to try to make progress on several key

issues, such as the role of advisors and alternates and the question of financial support for advisors. Reporting back on the third day of the meeting, the team leader described discussions on annexes II, III, IV and V of the draft paper on additional rules of procedure, addressing the terms of Board membership, the Co-Chairs' role, Board meeting procedures and observer participation. He stated progress in moving Annexes II and V forward, but indicated that the team was not able to comprehensively engage on the other annexes addressing for example decision-making and voting procedures. He also indicated that divergences between Board members on the questions regarding diversity of language, and financial support for advisors and for active observers could not be bridged. His proposal that the team continues to work until the next Board meeting inter-sessionally and conduct a full day of discussion before the start of the Berlin meeting was accepted. Members of the team as well as other Board members also commented on the risk of trying to "slice" the rules of procedure into manageable portions and dealing with them in isolation, worrying that in the process the interaction between various annexes and their linkages cannot be considered and inconsistencies might find their way into decisions. As there was no consensus on adopting any of the suggested annexes, the full document will move to the Berlin Board meeting for reconsideration, discussion and decision.

### **Observer Participation and Transparency of Board Proceedings**

According to para. 16 of the Governing Instrument of the GCF, the Board will make arrangements to allow for the effective participation of accredited observers to Board meetings, including for four active observers, two from civil society groups and two from the private sector, with one person each from developed and developing countries. As those arrangements had not yet been determined at the time of the first Board meeting in Geneva, the Co-Chairs had invited four interim active observers into the Board room on a no-objection basis by Board members to sit at a designated side table. All other observers – including those representing countries and international organizations in addition to those from civil society and private sector – had to watch the proceedings via a closed-circuit video-cast from an overflow room. In contrast to the practice during the TC process, the Board discussions in Geneva were neither webcast nor recorded and not posted online post-meeting. In the absence of any agreement on observer participation in Geneva, the same set of interim procedures was largely followed for the second Board meeting in Songdo. As they did in Geneva, the two Co-Chairs met with accredited observers during the lunch break of the first meeting day. One of the key issues brought up by observers was their lack of access to preparatory documents for the Board meeting, which made it almost impossible for observers to follow along with the video-cast Board proceedings. Following the meeting with the Co-Chairs those preparatory documents – but not new ones issued in the course of the three day meeting – were made available as hard copies to observers in the overflow room. However, they are still not posted on the GCF website.

In Annex V of the draft paper on additional rules of procedure, the Interim Secretariat had proposed a set of rules to govern future observer participation for adoption by the Board. The draft Annex V foresaw for example that active observers would be given a seat at a dedicated table in the meeting room and that they could, upon invitation by the Co-Chairs, "participate in the proceedings of the Board". It also clarified which observers could seek accreditation and which accreditation criteria would be applied, acknowledged essentially a self-selection process for private sector and civil society active observers and suggested that "upon request" the Board could approve funding to cover the travel costs for active observers from developing countries and might provide funding for other purposes, for example a self-selection process (both of

which are the practice for the active observers in the World Bank's Climate Investment Funds right now).

In the Board discussion on Annex V, a number of Board members from both constituencies expressed support for the role of active observers in making interventions “on all items that are on the table in a way that does not dominate the discussion”, as one member described it. They voiced support for observers’ ability to self-select their representatives, while emphasizing that the Board should retain the possibility to invite additional observers in an active capacity into the Board room. Disagreement arose mostly over the placement of active observers in the Board room – at the table with the Board members as is the case with the CIFs or at a separate table – and on the issue of financial support for observer participation. For several developing country members speaking, this was an issue of asking for parity in the Board’s treatment of its alternate members and active observers in the case of the seating arrangements, and of parity between the active observers and advisors in the case of GCF funding support. They indicated that they would only accept active observers at the Board table, if alternates were likewise given a seat there, a request that was rejected by a number of developed country members wanting to preserve a Board of 24 around the table. One developed country member pointed out that according to the Governing Instrument alternates already have a voice at the table (through the principal member). Other Board members suggested that the notion of who should be considered an observer needs to be expanded, with some suggesting that representatives from national development finance institutions should be allowed to attend GCF Board meetings, while others wanted to open the Board room to observers from countries not represented on the GCF Board after seeking prior written approval to address the Board under “other business items”.

The Co-Chairs allowed three brief interventions by interim active observers on Annex V. A Korean representative from the International Emissions Trading Association (IETA) speaking on behalf of business advocated for the private sector to select its own observers with alternates and the ability to call upon technical experts as needed as well as encouraging the creation of a GCF “in-house private sector unit”. Speaking for civil society constituencies (the UNFCCC recognizes eight of them in addition to the business sector<sup>2</sup>, a representative from Oxfam emphasized that civil society observers would be an asset to the GCF by contributing to more effective policies, demanding that active observers are given a seat at the table and are allowed to intervene on issues as they arise (in keeping with the precedents of other existing funds). He also stressed that they should be able to take part in subcommittee meetings and contribute to inter-sessional work and be allowed financially supported self-selection for their two active observers, which should be able to rely on a broader civil society advisory council to reflect the broad diversity of the civil society constituency. Until the Board has set detailed accreditation procedures for observers, all organizations currently accredited to the GEF and the UNFCCC should be considered eligible for GCF accreditation as the default. In the absence of agreed detailed rules on transparency, he and a representative from the International Indigenous Peoples’ Forum on Climate Change urged a presumption of disclosure with the full and timely release of all documents and the web-casting of meetings, as well as the inclusion of statements by civil society observers into the official meeting records. (Some textual edits for Annex V on observer participation suggested by civil society observers present in Songdo and shared with some Board members after the Board meeting can be found as Annex II to this document.)

The discourse on observer participation was one of the areas where the team of six dealing with additional rules of procedures reported progress to the full Board on day three of the meeting, proposing a slightly reworked text of Annex V with the biggest difference to the previous version a deletion of the section dealing with financial support of the GCF for observer participation. The

team recommend to the full Board to adopt this version of Annex V and take up the issue of financial support later. However, several Board members indicated that absent further progress on the other outstanding annexes, they were only willing to endorse, not to adopt it, citing the need for consistency of all additional rules of procedures. Recommendations by some board members to apply Annex V in the current version on a provisional basis to the next meeting, as well as allow for a provisional set of arrangements to post preparatory Board documents to the GCF website before the Berlin meeting (at the same time as Board members receive those documents) were rejected by the Co-Chairs rejected and the discussion on additional rules of procedure closed.

However, given public interest and pressure, it is likely that following Songdo the Co-Chairs will reach out to the Board to seek their agreement on provisional arrangements for observer participation and the transmittal of preparatory documents for the Berlin Board meeting. Such arrangements, if there is no objection from consulted Board members, could be the lines of those proposed in Annex V or even go into more detail, for example on when, how often and how long active observers are allowed to speak in the Board room and whether interim active observers, absent a completed comprehensive self-selection process, would be allowed to rotate amongst those accredited, as was the practice in the Board meetings in Geneva and Songdo.

### **Arrangements between the GCF and the COP and Board's Report to the COP**

Durban decision 3/CP.17 designated the GCF “as an operating entity of the financial mechanism of the convention, in accordance with Article 11 of the Convention”, while the GCF Governing Document specified in (para.4) that it “will be accountable to and function under the guidance” of the COP. This wording is similar to the one describing the relationship between the COP and the Global Environment Facility (GEF), which like the GCF is an operating entity of the UNFCCC financial mechanism. The decision also mandates that arrangements between the Fund and the COP have to be concluded by COP 18 in Doha to ensure that the COP can provide guidance to the Fund “to support projects, programmes, policies and other activities in developing country Parties” (para.3).

An important part of these arrangements, which are still to be detailed, is the mandate for an annual activity report from the GCF Board to the COP (para. 6c of the governing instrument). Following largely the GEF-COP example, such a report would be “considered”, not “approved” by the COP with guidance to the GCF Board to take “appropriate action” in response. However, without a clear definition of what “appropriate action” means, the language falls short of imposing a binding, and thus enforceable follow-up – a weakness of the current GEF-COP relationship that developing countries in the GCF design process had sought to overcome.

Delivering its first such activity report to COP 18 in Doha was thus one of the few concrete deadlines that the Board had to meet by year's end. In Songdo, the Board discussed and approved a report of the GCF Board to COP 18, taking into consideration additional comments and amendments made in light of the results of the second Board meeting.<sup>3</sup> It mainly lists the outcomes of the two Board meetings that were convened thus far and in an overview annexed to the report compares their outcomes against the list of deliverables received as guidance by the COP in Durban in Decision 3/CP.17 last year. The activities report highlights the completed process to select a host country for the Fund, arrangements made with the World Bank as Interim Trustee to set up a GCF Financial Intermediary Fund to receive contributions, and progress made toward establishing an independent secretariat and thus ending the current interim secretariat arrangements with staff from both the UNFCCC and GEF secretariats as biggest accomplishments so far. In contrast, the report to the COP is not yet able to list any



Board decision on GCF operational policies, although the Board discussed and considered a number of elements and set forth a work plan for their consideration and approval throughout 2013.

In Board discussions on the report to the COP, one Board member was worried that the included annex comparing outcomes to guidance might be too detailed and sought assurance that such detail will not set a precedent to be followed in the future as well. This remark is indicative of some of the fundamental differences between developed and developing country board members in interpreting a relationship between the COP and the Fund with only some basic tenets of their interaction described in the governing instrument (paras. 4 and 6). Several developing country members expressed their view that the COP will have to initiate the clarification and decide on the details of those arrangements, with the Board only taking up the discourse after concrete guidance by COP 18 in Doha. A number of developed country Board members in contrast pointed out that the Governing Instrument is silent on who should initiate the discourse about the GCF-COP relationship and that therefore the GCF Board is not prohibited from coming up with draft arrangements to be presented to COP 18. At issue here, of course, is whether such arrangements are to be made between two parties with parity or in a hierarchical relationship. With no consensus, the Co-Chairs suspended the discussion in Songdo, just as they did during the first Board meeting in Geneva two months earlier. With no textual input on the relationship between the GCF and the COP forthcoming from the GCF Board meeting, it will now be up to the UNFCCC process, including the new Standing Committee, to define the exact nature of the ties of the GCF to the UNFCCC and its COP. Although this issue is part of the work program of the Standing Committee, it seems unlikely that such arrangements can be concluded at COP 18 if they come up as part of the negotiations in Doha at all.

### **Selection of the Host Country for the Fund**

The selection of the future host country for the GCF was the main decision of the second Board Meeting in Songdo, and dealing with this agenda item took up significant Board time over two days. It was also a key deliverable of the GCF Board to COP 18 as mandated by the Durban decision under para. 13. In the end, South Korea was the declared winner after 2 ½ hours of confidential balloting among the 24 Board members behind closed doors under exclusion of alternate Board members, advisors and registered observers on the third day of the Board meeting. No other results were announced, although eliminated countries were given in writing the number of votes they had received and the round in which they were eliminated. This was a compromise reached at the urging from Namibia. The confidential ballots were sealed and retained by the Interim Secretariat. Nonetheless, speculation was ripe in Songdo, with rumors indicating that Germany and South Korea were the last bidding countries in contention. The decision for South Korea by the Board, presented as a consensus, is expected to be endorsed by COP 18 in Doha. The GCF Independent Secretariat will thus reside in the near future (most likely no later than the end of 2013 when interim secretariat arrangements are supposed to terminate) in Songdo, South Korea, just outside of Seoul. Germany, Switzerland, Poland, Mexico and Namibia had also vied for the opportunity to host the Fund, with all bidding countries but Namibia being represented by principal or alternate members on the GCF Board. A representative from Namibia was allowed into the Board room for the discussions on the host country selection.

The Board was mindful that the host country selection and the process leading to the decision – with consensus among Board members on the host country elusive – would be an important early showcase of the Board’s ability to deal with contentious matters and to conduct a fair and

objective evaluation of competing proposals. It had gone to great length to strive for as much confidentiality and objectivity as possible throughout the selection process and avoid any ranking of candidate countries. Following the first Board meeting in Geneva, which had produced a catalogue of desirable criteria for the GCF host country – key among which was the winning bidder’s ability to confer legal personality under domestic law speedily to the Fund – an evaluation team of six Board members had been set up. Since late August, the team of six (from India, Egypt, Spain, United States, Czech Republic and chaired by the Board member from Belize) had reviewed the host country proposals, met with applicant countries in mid-September in Washington, conducted site visits accompanied by the Interim Secretariat where necessary and wrote an evaluation report shared for comments with the host country bidders before presented to Board members in preparation of the second Board meeting.

Bidding countries were given a last opportunity to present their proposal to the Board, with Germany highlighting in particular the competitiveness of its offer and Germany’s financial support for climate finance, including concrete support for the Fund, as well as the country’s ongoing effort for low-carbon energy transition, while Mexico underscored the role of the Mexican COP presidency in Cancun in securing the GCF decision and its intellectual leadership in first proposing a Green Fund. Poland stressed its commitment to the climate process, including its interest in hosting COP 19 in Warsaw and its ability to act as a bridge between developed and developing countries, whereas Namibia emphasized its strong national focus on environmental sustainability as constitutional requirement, the support to its bid by the African Union and its belief that developing countries need to be brought from the periphery to the center of action on climate change, and thus the advantage of locating the GCF in an African country. In contrast to Switzerland, which touted its international credentials with hosting more than 32 international organizations and more than 250 NGOs as well as foreign nationals from 184 countries in Geneva, South Korea, with had committed and delivered more than US\$ 2 million in administrative support to the GCF Trust Fund before the second Board meeting, promised that the “GCF will be the only child for Korea” and thus would get the full support of its government and people. This willingness for an all-out effort by South Korea, with the well-timed opportunity to host of the second GCF Board meeting, was displayed in a reception on the eve of the Board meeting with outgoing South Korean President Lee Myung Bak in attendance. President Lee Myung Bak was also arriving within one hour of the decision to thank Board members and assure them of South Korea’s commitment.

In selecting South Korea as host country for the GCF Independent Secretariat, the Board members might have weighted several factors favorably: For one, South Korea is the first Non-Annex II country under the convention to financially contribute to the GCF – a precedent that many cash-strapped developed countries, those obligated under the UNFCCC to financially support climate action in developing countries, hope will be followed by other emerging market economies in the future. A consideration for some Board members in voting for South Korea was certainly also the physical distance to the UNFCCC Secretariat in Bonn which is in line with some developed countries’ efforts to distance the GCF and its operations from the Framework Convention. South Korea is also part of a region of the world that is expected to see some of the strongest economic growth, and with it rising greenhouse gas emissions, in the near future. Lastly, Seoul in South Korea also hosts the Global Green Growth Institute (GGGI), a multi-stakeholder hybrid international organization with representatives from 18 countries, several of them (including Australia, Denmark, Ethiopia, Indonesia, South Korea, Mexico, Norway, Philippines, United Arab Emirates and United Kingdom) also represented as principal or alternate members on the Board of the GCF. The paradigm shift to “green” low-carbon growth is of course one of the guiding principles of the GCF (as elaborated in para. 2 of the Governing Instrument). It was therefore not surprising that Professor Jeffrey Sachs from the Columbia University Earth Institute, who had been invited to address the GCF Board at the

recommendation of the Korean host government and who as a GGGI Board member was in Seoul to take part in a South Korean government sponsored green growth event, used his remarks to the Board to advocate for strong institutional ties between the GCF and the GGGI.

Crucial for the success of South Korea as host country of the GCF will be how quickly it can confer legal personality to the GCF with a domestic legal act. In order to be an independent international entity and to make binding arrangements with donor and recipient countries and the private sector, the GCF will need legal personality. Another indication of South Korea's success to support and nurture a strong GCF will be how attractive Songdo as a work location will be for top international staff with geographical and gender balance as mandated in para. 21 of the GCF Governing Instrument. Since it is likely that South Korean staff might form an important contingent of the future Independent Secretariat personnel, not only gender-balance but also a top-notch working environment supporting female staff advancement and a commitment to gender-equality in such a working environment – irrespective of cultural attitudes in the host country – is tantamount. Lastly, the willingness of South Korea as host country for the GCF to allow entry to and welcome all stakeholders in the GCF process, including critical international civil society voices, has to be ensured going forward, avoiding a possible GCF-related repeat of recent incidents.<sup>4</sup>

### **Arrangements and Administrative Budget for the Interim Trustee**

According to the Governing Instrument (para. 26), the World Bank serves as the Interim Trustee for the GCF for a period of three years until April 30, 2015, by which time a permanent trustee must have been selected by the Board in an “open, transparent and competitive bidding process in a timely manner to ensure that there is not discontinuity in trustee services” as the Durban decision in para 16 has clarified. The Governing Instrument in paras. 24-27 defines the roles and responsibilities of a GCF trustee as managing the financial assets of the GCF, maintaining appropriate records and prepare financial statements and administering the assets of the Fund only in accordance with Board decisions and in keeping with internationally accepted fiduciary standards. The trustworthiness of the GCF trustee is thus key for developed countries to make contributions to the GCF, as several developed country Board members stressed again in Songdo. In order to provide Interim Trustee services to the Fund, the World Bank already established a Financial Intermediary Fund (FIF) Trust Fund. In Songdo, GCF Board members were asked to approve arrangements with the World Bank as Interim Trustee as detailed in a paper for the Board, and specifically adopt standard provisions for a Green Climate Fund Trust Fund to receive contributions by countries and other donors as well as a transfer agreement to allow for transfer of funding from the GCF Trust Fund to the Interim Secretariat care of the UNFCCC Secretariat. A similar paper had been presented to the Board at the first Board meeting in Geneva in late August, but was then referred back for added work and redrafting based on questions and comments the Board members had then, particularly on the competitiveness of World Bank fees in providing the trustee services.

In Songdo, while most Board members were content with the new text for the arrangements, one issue of disagreement arose on the question of whether the Board would be able to legally enter into administrative arrangements with the World Bank as Interim Trustee even before the host country can confer juridical personality and legal capacity to the GCF, with one member suggesting that it should, citing experience of other multilateral funds. A World Bank expert on the other hand suggested that while a Trust Fund Agreement with the GCF is only possible upon confirmation of the Fund's legal personality, the authority of the Board over how assets in the GCF Trust Fund are spent is not affected. In the meantime, the Interim Trustee has already entered or is in the process of entering directly into contribution agreements with several

countries for transfer of financial resources to the GCF Trust Fund and acting upon decisions by the Board to transfer funding for administrative purposes.

The Board paper for the Interim Trustee arrangements for the GCF details that the World Bank will provide its GCF Trust Fund services based on the concept of full cost-recovery. As in the first Board meeting in Geneva, some Board members were concerned that such an arrangement is open-ended and questioned the competitiveness of the cost of service provision by the World Bank. According to the proposed administrative budget for the GCF for the Interim Trustee, the World Bank will receive USD 689,000 for a 14 month period from November 1, 2012 to December 31, 2013 for its services, including USD 400,000 for financial and program management, USD 76,000 for accounting and USD 172,000 for legal services as well as USD 11,000 in fees for investment management (calculated as 0.035% of an assumed USD 25 Mio of annual average undisbursed balance in the GCF Trust Fund starting in November 2012). For the period from January 1 to October 31, 2012, the cost of the World Bank's Interim Trustee services are estimated to total close to USD 290,000.

### **Status of Resources and Administrative Budget of the Interim Secretariat**

The Interim Secretariat for the GCF was set up in Spring 2012 as mandated by the Durban decision on the GCF and staffed with personnel from both the UNFCCC and GEF Secretariat to provide support to the GCF Board and prepare the Board meetings. The activities of the Board, Interim Secretariat and Interim Trustee are supported through an administrative budget approved by the Board based on funds available in the GCF Trust Fund. At its first meeting in Geneva, the GCF Board had approved some USD 2.12 million in total administrative budget (covering expenses by the Board, Interim Secretariat and Interim Trustee) for the period up until October 30, 2012, of which USD 1.32 million came from left-over funding from the TC process (with Denmark, Germany, Norway, Spain, Switzerland and the United States allowing for the repurposing of TC funds for the GCF administrative budget).

In Songdo, the Board discussed a proposed total administrative budget for the Board, Interim Secretariat and Interim Trustee for a 14-months period from November 1, 2012 to December 31, 2013 in the amount of USD 7.48 million. Of those, USD 1.34 million are to support three scheduled Board meetings in 2013 as well as meetings and expenditures by Board committees, panels and working groups. The largest amount with USD 5.34 million is for services by the Interim Secretariat during this period, mostly for salaries, wages and consultancies as well as general operating and information technology costs and travel expenses. The budget for the next year estimates that of the USD 3,85 million in salaries, wages and consultancies, roughly USD 1.99 million will be for full-time staff of up to 15 people with an additional USD 498,000 going to staff support from personnel from the UNFCCC Secretariat and USD 460,000 for personnel support from the GEF Secretariat. The budget accounts also for up to 280 weeks of consultants' time for a cost of USD 700,000. For an overview listing of the GCF administrative budget expenses, see Table 1 below.

**Table 1:**  
**Administrative GCF Budget from November 1, 2012 until December 31, 2013 (in USD)**

	<b>Actual Expenditures</b> (1/1/2012 – 6/30/2012)	<b>1<sup>st</sup> Budget Approved</b> (7/1/2012 – 10/31/2012)	<b>2<sup>nd</sup> Budget Approved</b> (11/1/2012 -- 12/31/2013)
<b>1. Board</b>			
1.1. Board Meetings (# of meetings)	--	(2) 408,000	(3) 954,000
1.2 Board Ctes, panels and working groups (# of meetings)	--	(3) 60,000	(10) 382,000
<b>Sub-total Board</b>	--	<b>468,000</b>	<b>1,336,000</b>
<b>2. Interim Secretariat</b>			
2.1. Salaries, Wages and Consultancies	428,959	472,000	3,845,000
2.2. Travel (Board Meetings & consultations)	112,720	110,000	315,000
2.3. General operating & IT costs	39,234	96,000	1,175,000
<b>Sub-total Interim Secretariat</b>	<b>580,923</b>	<b>678,000</b>	<b>5,335,000</b>
<b>3. Executive Director</b>	--	--	<b>121,000</b>
<b>4. Interim Trustee</b>			
4.1. Financial & program management	204,181	70,000	400,000
4.2. Investment Management	0	0	11,000
4.3. Accounting & reporting	27,975	5,000	76,000
4.4. Legal services	42,140	40,000	172,000
4.5. IT systems	0	0	30,000
<b>Sub-total Interim Trustee</b>	<b>274,296</b>	<b>115,000</b>	<b>689,000</b>
<b>GRAND TOTAL</b>	<b>885,219</b>	<b>1,261,000</b>	<b>7,481,000</b>

Source: Document GCF/B.02-12/06/Rev.01 "Administrative Budget of the GCF" (as of October 19, 2012)

On the income side, until the GCF Board meeting in Songdo roughly USD 6 million had been pledged to the GCF by seven contributor countries (namely Australia, Denmark, Finland, Germany, South Korea, Netherlands and the UK), of which roughly USD 3.5 million have been received from four contributor countries (Australia, South Korea, Finland and Netherlands) in the GCF Trust Fund, with USD 2.7 million unallocated (on the status of GCF resources, see Table 2 below). In Songdo, Norway and Sweden both indicated their willingness to contribute funding to the administrative budget until the end of this year, with Sweden promising USD 800,000 and Norway USD 700,000 additionally in new pledges. However, without a clear time-table on when outstanding pledges will be fulfilled, at the current level, resourcing for the GCF is insufficient to even fund proposed administrative costs, let alone possible readiness or preparatory activities in recipient countries some developing countries had hoped the GCF could support even before a full operationalization already this year.

This shortage of available funding to even cover suggested administrative costs (which do not yet include a variety of additional likely expenditures, for example for the relocation of the GCF Secretariat to Songdo, South Korea before year-end 2013 or possible support costs for advisors or observers) has implications for the hiring of additional staff for the Interim Secretariat over the next 14 months. The Board approved the budget with the understanding that cash transfers to the Interim Secretariat can only be made against contributions received in the GCF Trust Fund. An increase in staff for the Interim Secretariat during this time is thus most likely to come in the

form of fixed-term staff or consultancy contracts ending in or before December 2013 or via reimbursable staff secondments from other international organizations.

**TABLE 2:**  
**Status of pledges and contributions to the GCF Trust Fund, as of October 19, 2012**

<b>Country</b>	<b>Pledges (USD 000)</b>	<b>Deposited (USD 000)</b>	<b>Remaining TC Funding (USD 000)</b>
<b>Australia</b>	<b>513</b>	<b>513</b>	
<b>Denmark</b>	<b>867</b>		<b>254</b>
<b>Finland</b>	<b>646</b>	<b>646</b>	
<b>Germany</b>	<b>1,014</b>		<b>282</b>
<b>Korea</b>	<b>2,099</b>	<b>2,099</b>	
<b>Netherlands</b>	<b>286</b>	<b>286</b>	
<b>Norway</b>	<b>700*</b>		<b>337</b>
<b>Spain</b>			<b>92</b>
<b>Sweden</b>	<b>800*</b>		
<b>Switzerland</b>			<b>80</b>
<b>United Kingdom</b>	<b>648</b>		
<b>United States</b>			<b>275</b>
<b>OLD TOTAL</b> (as of Sept. 30, 2012)	<b>6,073</b>	<b>3,544</b>	<b>1,319</b>
<b>NEW TOTAL</b> (including new Songdo pledges)	<b>7,573</b>	<b>3,544</b>	<b>1,319</b>

*NOTE: \* denotes new pledge at second GCF Board meeting in Songdo, South Korea*  
*Source: Document GCF/B.02-12/06/Rev.01 "Administrative Budget of the GCF" and author notes*

In a lengthy discussion about the proposed GCF administrative budget, Board members congratulated the Interim Secretariat on providing a proposal for an administrative budget with sufficient detail and inclusion of the GCF Trust Fund income – two areas which Board members had found lacking in discussing the GCF’s administrative budget at the first Board meeting in Geneva. Several speakers urged contributing countries to fulfill their pledges and for other countries to commit funding to the GCF Trust Fund quickly in order to speed up the operationalization process. No doubt in an effort to scrutinize the current unpredictability of GCF funding and urge a more predictable contribution pattern, a number of developing country members expressed concern about the budget gap, worrying that it did not represent best practice and prudence to design a budget based on pledges alone without a likely cash-flow analysis. They suggested that the budget should be only understood as an indicative or provisional budget, to be revisited and adjusted frequently at future Board meetings on the basis of actual contributions received in the GCF Trust Fund. In contrast, several developed country Board members expressed exasperation with this argument, pointing out that the proposed budget decision would prevent the Interim Secretariat from overspending or going into debt and expressing confidence that the pledged funding will materialize as firm contributions. As one Board member fittingly observed, the budget discourse at both Board meetings indicates the existing level of mistrust between developing country and developed country GCF Board constituencies, particularly with respect to obtaining secure funding for the GCF at levels commensurate with its task and mandate. In the end, the Board approved the administrative budget of USD 7,48 million until the end of December 2013, “subject to adjustment based upon revised costs and expenditures to be incurred” from resources “available or to be made available to the Green Climate Fund Trust Fund (GCFTF)”.

Another issue that garnered a lot of attention in the budget discourse was the overall level of expenditure for administrative purposes and the cost calculations underlying these, for example for travel of staff and board members, as well as the cost for GEF and UNFCCC staff salaries and wages for members of the Interim Secretariat. Several developed country members urged more cost-consciousness and faster progress in the Board to be able to show parliaments and finance ministries in contributing countries that money devoted to the GCF administrative budget is well-spent and producing desired results.

However, how thin the line can be between cost-consciousness and expenditure control as a value and as a detriment to efforts to ensure GCF inclusivity, transparency and accountability might be illustrated by looking at the Board's discourse about a new logo for the GCF. At the GCF Board Meeting in Geneva, an alternate Board member had been tasked to present to the Board in Songdo a proposal for the development of a GCF logo. In a paper circulated in Songdo, he proposed to hold an international competition for design schools and universities to come up with a new GCF logo as a way to raise awareness among the younger generation for the Fund and to reach out to them as important stakeholders. The proposal suggested the payment of a total prize money of USD 30,000 as incentive for individuals or groups to contribute to the contest (with USD 15,000 for a first prize; USD 10,000 for a second prize and USD 5,000 for a third prize). While most Board members supported the idea and welcomed the outreach effort, two Board members in particular raised objections and argued that a cash prize was neither necessary nor defensible with respect to cost-consciousness efforts the Board should employ. This argument did not take into account the monetary value of such an outreach or awareness raising effort and the likely publicity generated by the competition and cash prize, nor the likely cost of having a professional designer come up with a GCF logo instead.

### **Establishment of Independent Secretariat and Executive Director**

While the Governing Instrument of the GCF (para. 19) and the Durban decision (para. 15) demand the establishment of an Independent Secretariat in the host country "in an expedited manner as soon as possible", the Durban decision also asks the UNFCCC Secretariat and the GEF Secretariat to jointly set up and staff a GCF Interim Secretariat. It should be terminated by COP 19 (no later than December 2013) or as soon as an Independent Secretariat, headed by an Executive Director, is established in South Korea. At its first meeting in Geneva, the GCF Board had decided not to seek an Interim Secretariat head as stipulated in the Durban decision (para. 22) given the four-month delay in convening the first Board meeting and thus an already shortened interim period. Instead the Board had empowered the two Co-Chairs to act as the *de facto* executive overseeing the work of the Secretariat until a GCF Executive Director is appointed and decided to speed up his or her selection process.

In Songdo, Board members took note of a document presented by the Interim Secretariat which focused on the areas of work necessary to establish the Independent Secretariat, allowing Board members to provide written input until early November. A concern discussed in Geneva had been to select the Executive Director early enough to ensure his/her management and oversight of the legal framework for the Fund; its human resource policies and practices as well as staff hiring; its financial management policies and practices; and the Fund's general administration, although work on these policies should not wait until the Executive Director is selected. In this context, issues to be decided will include whether GCF Secretariat staff will be considered UN officials and thus subjected to UN rules with implications for pay, employment conditions and immunities and privileges. In the discourse, several developing country Board members were adamant in wanting to avoid a repetition of the GEF practice, which is not set up

as an independent international entity with own legal personality and thus applies the World Bank's human resources policies. In his/her management work in overseeing the Independent Secretariat the Executive Director is to be closely guided by the Board, with some Board members worrying about the contours of the Board–Executive Director relationship and how much guidance versus latitude would be needed. Once appointed, the Executive Director will have to oversee the transition from the Interim Secretariat (with staff in Bonn and Washington, DC) to the permanent Independent Secretariat in Songdo, South Korea.

Board members in Songdo discussed the qualities that they are looking for in filling the Executive Director's position – with some Board members advocating to look primarily to countries' finance ministries for suitable candidates for the job while others saw development experience in poor countries as a key selection criteria – as well as the process to find the best candidate possible without too much delay. The question of whether to engage an executive search firm and the progress of selecting such a firm was also a key point of the discourse in Songdo. Board members worried about the bidding process, and who – the full Board or a committee of Board members – should decide on employing such a search firm. For some Board members this was a matter of building trust of all Board members in the future Independent Secretariat and Executive Director, advocating for close Board oversight, while others wanted to avoid micromanagement by the Board. At issue was also whether to draw on search firm proposals the Interim Secretariat had collected in advance of the first GCF Board meeting in anticipation of the task of selecting an Interim Secretariat head (which the Board in Geneva then decided was not needed) or start anew, with some members welcoming the initiative by the Interim Secretariat and others pointing out that it did not have authorization by the Board and its Co-Chairs.

In the end, the Board agreed to establish a six member Executive Director Selection Committee. Until the next Board meeting in mid-March 2013 in Berlin, this Selection Committee (whose members were not yet selected at the end of the Songdo meeting) will revise draft terms of reference for the Executive Director taking into consideration written submissions by Board members post-Songdo. It will decide on an effective and efficient selection process which may include an executive search firm – being aware that some search firm might be “geographically biased” – and approve the text and media for disseminating an advertisement for the Executive Director. Ideally, the committee, which is supposed to keep the full Board informed and deliver a report for the Berlin Board Meeting, will agree among themselves on a short-list of candidates to be kept confidential, conduct interviews with the short-listed candidates and present a final list of three candidates, without ranking them, for the Board to consider in Berlin. For this work, up to USD 200,000.00 (including costs for an executive search firm and committee member travel and meeting costs) have been allocated and incorporated in the GCF administrative budget approved in Songdo.

### **Work Plan and Priorities for the Next Board Meeting**

Already at the first Board meeting in Geneva in late August, the Board attempted to discuss and approve a work plan for the Board throughout 2013, listing the more than 50 distinct tasks that needed the involvement of and decisions by the Board before the GCF will be fully operationalized and capable of disbursing funding in early 2014. Such a work plan – and particularly making it publicly available – is a key step to ensuring the transparency of the work of the GCF Board as well as to hold Board members accountable. Mindful of the dueling pressures Board members felt of pushing quickly forward with an ambitious strategic plan for the Fund that addresses its transformational impact and highlights the paradigm shift it is supposed to bring to global climate change financing versus the pragmatic need to address



some key organizational issues first to get the new Fund of the ground quickly (such as the host country selection or the budget), the Board had agreed in Geneva to deal with the longer-term work plan post-Doha in 2013, but to decide on the contours of that work plan in Songdo.

At the second Board meeting, the Board tried to address this tension by looking at ways to ensure that what some members termed the “vision”, others the “business model” of the GCF could be addressed in parallel to advancing work on key operational and administrative policies over the course of next year. In a discourse that stretched over two days of the meeting, members discussed and amended a draft work plan proposed by the Interim Secretariat, agreeing to see such a work plan as an “indicative” plan and a “living document” subject to adjustments to ensure flexibility rather than a firm decision. From the side of developed countries as main contributors to the Fund, work on the private sector facility with its ability to catalyze investments, a results-based based allocation approach, fiduciary standards as well as environmental and social safeguards and the possibility of jumpstarting the Fund “wholesale” by channeling funding mostly through existing climate finance instruments were highlighted as priority issues for such a work plan; they wanted to see these issues addressed sooner rather than later in 2013. In contrast, several developing country members wanted the work plan to focus as soon as possible on resource mobilization based predominantly on public sector contributions of developed countries as well as enhanced direct access for developing countries, especially access for preparatory support and capacity-building foremost for small island developing states (SIDS) and least-developed countries (LDCs). The latter was echoed in a brief intervention by an interim active civil society observer, who also indicated that work done in the Transitional Committee last year to address the Fund’s purpose and vision could be useful and highlighting that gender equality and responsiveness of the GCF as cross-cutting issue has to be reflected in the work plan. A short paper by a group of civil society and international organizations on how to incorporate gender-responsiveness in the GCF work plan was circulated on the sidelines in Songdo (see attached as Annex III of this document).

Following what seems to become the established work pattern of the Board in trying to move issues forward during Board meetings and inter-sessionally, the Co-Chairs tasked a group of six Board members and alternates (from France, Norway, the United Kingdom, the Democratic Republic of Congo, Barbados and Columbia, with Columbia chairing) to define priorities to be addressed at the next Board meeting in Berlin and what preparatory papers would be needed for the full Board to address key questions then. In reporting back the next day, the group of six listed the indicative priorities to be addressed in three Board meetings in March and possibly June and September until the end of 2013 (not necessarily indicating order of importance) as: 1) the business model framework; 2) private sector facility-related matters; 3) resource mobilization; 4) results management framework; 5) establishment of the Independent Secretariat with a) the selection of the Executive Director, b) guidance on the administrative policies of the Independent Secretariat; 6) the conclusion of a host country agreement; 7) modalities for readiness and preparatory support; 8) direct access and other access modalities; 9) program and project funding cycle; 10) funding approval criteria and processes; 11) financial instruments and their terms; 12) allocation system; 13) standards and safeguards; 14) risk management policy; 15) information disclosure policy; and 16) audits. At the request of a board member the transfer process from the World Bank as the Fund’s Interim Trustee to the permanent trustee was added to the work plan for late 2013.

The group of six chaired by Columbia also recommended that the first Board meeting in 2013 from March 12 – 15 in Berlin, Germany focus on a few key issues, listing first and foremost the business model framework (BMF) for the Fund, with resource mobilization, the establishment of the Independent Secretariat and the host country agreement as well as the modalities for readiness and preparatory support the other issues of early priority. The Board agreed “in

principle” to the element of the Board’s work plan until the end of 2013 as well as to the priorities set for the agenda of the first Board meeting in 2013.<sup>5</sup> It then tasked the group of six to facilitate the preparation of a document for Board discussion on the Fund’s business model framework (BMF), by working with a consultancy to prepare that paper before the next board meeting and ensuring its “quality control”. Key inputs by Board members, as well as solicited input from consultants, experts and stakeholders, including private sector and civil society observers, are to be considered, although it is not quite sure how the integration of their views, absent a release of a final document listing in full all comments and supporting documents received, can be assured or when and how comprehensively they will be consulted.

Shortly after Songdo, the group of six has started work on finalizing the terms of reference for a consultancy to develop such a document. This document is to address several components, namely on the structure and organization of the Fund, matters related to the private sector facility (PSF) of the Fund, as well as the Fund’s access modalities and results management framework. The component on the structure and organization of the Fund is to focus on structural options for the business model (as “fund of fund” with a small secretariat or implementing fund with a large secretariat), the way Fund resources are to be delivered, the funds complementarity with other channels of climate finance and linkages with other thematic bodies of the UNFCCC, and what instruments are needed to maximize the Fund’s potential to “leverage” (crowd in) additional public and private sector finance. The component on matters related to the private sector facility will look at various institutional models for the PSF, including the possibility of a separate governance structure, and what these models mean for resource delivery through the PSF, including direct, indirect or a combination of both. The component on access modalities will look at eligibility criteria for accessing resources from the Fund and the range of access modalities and their availability across different funding programs. Lastly, a component on a results management framework is tasked to address key elements of such a framework, modalities for monitoring and evaluation and possible performance indicators.

The terms of reference for a business model framework have so far not been shared with observers and stakeholders; however, from a civil society point of view, it will be important to ensure that such a document refers back to the guiding principles and objectives of the Fund as elaborated in the Governing Instrument as well as the Durban decision throughout by referring to climate action in the context of sustainable development and stressing the need to “maximize the impacts of its funding for adaptation and mitigation, and seek a balance between the two, while promoting environmental, social, economic and development co-benefits and taking a gender-sensitive approach” (Governing Instrument para.3). As such, effectiveness of GCF actions will have to be defined beyond a narrow cost-effectiveness interpretation but instead also look at the Fund’s ability to fulfill its mandate as an operating entity of the financial mechanism under Article 11 of the UNFCCC. The consideration of best practice fiduciary principles and environmental, gender and social standards and safeguards is key to achieving these objectives, as is the consideration of para. 7 of the Durban GCF decision which demands the development of a no-objection procedure at the Fund to ensure that any public or private GCF investment in recipient countries is following a country-driven approach. Lastly, in discussing the governance structure for a private sector facility, for which some Board members look at the World Bank’s private sector arm, the International Finance Corporation (IFC), as a possible model, the accountability of the PSF to both the full GCF Board and the COP need to be assured, as well as the coherence of the PSF with the GCF and all its policies, including on information disclosure.

In addition to the document on the business model framework for the Fund for consideration at the next Board meeting, three more papers on resource mobilization, modalities for readiness and preparatory support and the establishment of the Independent Secretariat will be prepared

by the Interim Secretariat to guide the discussion on those agenda items in Berlin. The one on resource mobilization will include an elaboration of policies and procedures for contributions from public and other, including alternative sources as well as the process, participants and timeframes for the initial resource mobilization and subsequent replenishments. The one on readiness and preparatory support will focus on priority areas and mechanisms for allocation, delivery and simplified approval for such support. The document on the Independent Secretariat will deal with the selection of the Executive Director, review the staffing of the Interim Secretariat and discuss the host country agreement and the legal arrangements necessary to ensure the privileges and immunities for the establishment of the Independent Secretariat.

### **Outlook for 2013**

With only three Board meetings with three meeting days each scheduled for 2013, but a comprehensive and ambitious work plan to be tackled, the GCF Board will have to conduct a significant amount of work in between meetings. The emerging pattern of the Co-Chairs endowing a group of six Board members or alternates (with three participants each from the developed and developing country constituency of the Board) with the mandate to conduct specific inter-sessional work based on a broader Board decision is one way to manage this work load. It also helps ensure that contentious issues that are bound to be bogged down without immediate resolution in the full Board can progress by focusing on areas of convergences not divergences. Significant progress on implementing the work plan, after all, is not only necessary to ensure that the Fund will be ready to disburse funding by early 2014, but will also be seen as an indication by most developed country members that the GCF is ready to receive and deserving of public resources. While the work in Board teams or groups is undoubtedly necessary or even desirable, including to draw on the expertise and capacities of alternate Board members who don't have a voice or vote in a Board of 24, it raises questions of inclusion, transparency and accountability, both with respect to the full Board but even more importantly with respect to the participation and inclusion of observers and stakeholders and ultimately the larger public. Currently, none of the documents that Board groups or teams work on in between Board meetings are released or available for comment. Not only should it be possible for active observers from civil society and the private sector to receive the documents of work conducted inter-sessionally, active observers should also be allowed to engage with and be included in such committees and work groups. Additionally, in applying para. 71 of the Governing Instrument, the input and participation of stakeholders defined as "private sector actors, civil society organizations, vulnerable groups, women and indigenous peoples" should be proactively sought and integrated in the work done in-between sessions, as they are key to the strategies and the activities the Fund hopes to finance starting in 2014.

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### **ENDNOTES:**

<sup>1</sup> For the first GCF Board Meeting in Geneva, Switzerland from August 23 -25, the Interim Secretariat had publicly posted all preparatory documents on the GCF website where they remain accessible, but was then prohibited by the Board, in the absence of an explicit Board decision on the matter, to do so for the second GCF Board Meeting in Songdo, South Korea, from October 18 – 20, 2012.

<sup>2</sup> Those eight non-business UNFCCC civil society constituencies are non-governmental groups on environment issues, trade and labor issues, and agriculture issues, representatives from the youth, and women and gender constituencies; civil society groups representing local governments and academic institutions and Indigenous Peoples' representatives.

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<sup>3</sup> The first annual report of the GCF Board to the COP is available online at <http://unfccc.int/resource/docs/2012/cop18/eng/01.pdf>

<sup>4</sup> In several instances in April and October of this year, South Korean immigration official denied entry to anti-nuclear activists from Greenpeace at Incheon International Airport (the airport closest to Songdo, the location of the GCF Independent Secretariat), citing a threat to South Korea's national interests. These incidents have been documented in several newspaper articles, including [http://www.sundaytimes.lk/index.php?option=com\\_content&view=article&id=18364:-skorea-to-deport-greenpeace-activist&catid=81:news&Itemid=625](http://www.sundaytimes.lk/index.php?option=com_content&view=article&id=18364:-skorea-to-deport-greenpeace-activist&catid=81:news&Itemid=625) and <http://www.thecambodiaherald.com/world/detail/2?page=18&token=YmNkOWFjMTlhNzhmZDJiZDAyOTA1YjM0NzA3YmY1>. In September of this year, several international environmental activists were also blocked from entering South Korea to attend the IUCN World Conservation Congress, see: [http://english.khan.co.kr/khan\\_art\\_view.html?artid=201209071126587&code=710100](http://english.khan.co.kr/khan_art_view.html?artid=201209071126587&code=710100). (All newspaper articles accessed online on November 18, 2012).

<sup>5</sup> For the third Board Meeting from March 12- 15, 2013 in Berlin, Germany, the following agenda items have been agreed to: I. Business model framework: a) structure and organization of the Fund, b) private sector facility-related matters, c) access modalities, d) results management framework; II. Resource mobilization; III. Modalities for readiness and preparatory support; IV. Establishment of the Independent Secretariat, a) selection of the Executive Director, b) review of staffing of the Interim Secretariat, c) guidance on administrative policies of the Independent Secretariat; V. Host country agreement; VI. Any pending matter from the second Board meeting in 2012 (this includes Additional Rules of Procedure).

## ANNEX I

### Members of the Board of the Green Climate Fund (as of November 14, 2012)

Seat No.	Member/ Alternate Member (AM)	Country	Regional Group	TC	SC
1	Mr. Christian N. Adovelande	Benin	Africa		
1	Mr. Tosi Mpanu Mpanu (AM)	DR Congo	Africa	YES	
2	Mr. Omar El-Arini	Egypt	Africa	YES	
2	Mr. Newai Gebre-ab (AM)	Ethiopia	Africa	YES	
3	Mr. Zaheer Fakir	South Africa	Africa	YES	
3	Mr. Paulo Gomes (AM)	Guinea Bissau	Africa		
4	Ms. Zou Jiayi	China	Asia-Pacific		
4	Mr. JonKu Choi (AM)	South Korea	Asia Pacific		
5	<b>Mr. Bambang Brodjonegoro</b>	Indonesia	Asia-Pacific		
5	<b>Mr. Jose Ma. Clemente Sarte Salceda (AM)</b>	Philippines	Asia-Pacific		
6	<b>Mr. Dipak Dasgupta</b>	India	Asia-Pacific		
6	<b>Mr. Farukh Iqbal Khan (AM)</b>	Pakistan	Asia-Pacific	YES	
7	<b>Ms. Adriana Soto</b>	Columbia	Latin America/ Caribbean		
7	<b>Mr. Gabriel Quijandria Acosta (AM)</b>	Peru	Latin America/ Caribbean		
8	<b>Ms. Audrey Joy Grant</b>	Belize	Latin America/ Caribbean	YES	
8	<b>Mr. Jorge A. Ferrer Rodriguez (AM)</b>	Cuba	Latin America/ Caribbean	YES	
9	<b>Mr. Ernesto Cordero Arroyo</b>	Mexico	Latin America/ Caribbean	YES	
9	Mr. Rodrigo Rojo (AM)	Chile	Latin America/ Caribbean		
10	Mr. David Kaluba	Zambia	LDCs	YES	
10	Mr. Mesbah ul Alam (AM)	Bangladesh	LDCs		
11	Mr. Derek Gibbs	Barbados	SIDS	YES	
11	Mr. Ali'ioaigi Feturi Elisaia (AM)	Samoa	SIDS	YES	
12	Mr. George Zedginidze	Georgia	Floating seat, developing countries		
12	<b>Mr. Salman Aldossary (AM)</b>	Saudi Arabia	Floating seat, developing countries		
13	Mr. Ewen McDonald	Australia/Australia/ New Zealand		YES	
13	Mr. Rod Hilton (AM)	Australia/Australia/ New Zealand			
14	Mr. Per Callesen	Denmark	Denmark/ the Netherlands	YES	
14	Mr. Richard Doornbosch (AM)	Netherlands	Denmark/ the Netherlands	YES	
15	Ms. Delphine D'Amarzit	France	France	YES	
15	Mr. Arnand Buisse(AM)	France	France		
16	Mr. Manfred Konukiewitz	Germany	Germany	YES	
16	Mr. Norbert Gorissen (AM)	Germany	Germany	YES	
17	Mr. Yoshiki Takeuchi	Japan	Japan		
17	Mr. Ryusuke Nakayama (AM)	Japan	Japan		
18	Mr. Kjetil Lund	Norway	Norway/ Czech Republic	YES	
18	Mr. Tomas Zidek (AM)	Czech Republic	Norway/ Czech Republic		
19	Ms. Beata Jaczewska	Poland	Poland and Hungary		
19	Mr. Adam Kirchknopf (AM)	Hungary	Poland and Hungary	YES	
20	Ms. Ana Fornells de Frutos	Spain	Spain/ Italy	YES	
20	Ms. Francesca Manno (AM)	Italy	Spain/ Italy	YES	
21	Mr. Alexey Kvasov	Russia	Russia/ Switzerland	YES	
21	Mr. Anton Hilber	Switzerland	Russia/ Switzerland		
22	Mr. Jan Cedergren	Sweden	Sweden/ Belgium	YES	
22	Mr. Jozef Buys (AM)	Belgium	Sweden/ Belgium	YES	
23	Mr. Nick Dyer	United Kingdom	United Kingdom	YES	
23	Mr. Stewart James	United Kingdom	United Kingdom		
24	Mr. Gilbert Metcalf	United States	United States	YES	
24	Ms. Beth Urbanas (AM)	Unites States	United States	YES	

Note: Names of GCF Board Membes in bold indicates a change in the arrangements during the three-year term of membership.

TC = participation in the Transitional Committee as principal or alternate member or advisor

SC = member of the Standing Committee for the year 2012

## ANNEX II

### Annex V: Suggested edits by civil society observers to Additional Rules of Procedure relating to observer participation in meetings<sup>1</sup>

Para. 1 –

*The Co-Chairs, acting jointly, and in consultation with the Board will invite to participate as active observers, two civil society representatives, one each from developing and developed countries; and two private sector representatives, one each from developing and developed countries. Active observers may, ~~upon invitation of the Co-Chairs,~~ participate in the proceedings of the Board.*

#### **JUSTIFICATION:**

Active observer participation should not be contingent on invitation of the co-chairs, as that was the arrangement of the Songdo meeting, and a full 50% of our requests to speak were denied (even when we explicitly communicated that our interventions were less than one minute). In order for their comments to be timely and relevant to the discussion at hand, active observers should be able to comment on agenda items as they arise.

#### **PROPOSAL:**

We would propose that the GCF Board adopt the language used by Climate Investment Funds. The CIF language (1) defines what active observer participation entails, and (2) makes clear that observers may request the floor, without specific invitation from the co-chairs. The CIF Guidelines provide:

*Civil society representatives should be invited to participate in the meetings of the Trust Fund Committees as “active” observers.... This means that observers may:*

- a) request the floor during discussions of the Trust Fund Committee to make verbal interventions. Selected observers from each of the constituency groups are requested to work together to coordinate their interventions so as to maximize the efficiency of the Trust Fund Committee proceedings,*
- b) request the Co-Chairs to add agenda items to the provisional agenda, and*
- c) recommend to the Trust Fund Committee or the Co-Chairs external experts to speak on a specific agenda item.<sup>2</sup>*

Para. 2(b)(ii)

*Accredited non-governmental organizations (NGOs), comprised of:*

- Civil society organizations (CSOs): any independent non-profit organizations of individuals actively involved in climate-related policy, programme ~~and~~ project activities implementation on the ground in developing countries, including international as well as national and community-based organizations; and*
- Private sector organizations (PSOs): any private companies and business associations with operations that deal with climate change mitigation and/or adaptation activities.*

#### **JUSTIFICATION:**

Limiting CSO observers to organizations that implement programs in developing countries is far too restrictive, as it would needlessly exclude representatives of CSOs, academic institutions, charitable foundations, etc. who have important policy knowledge and relevant experience in implementing programs.

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<sup>1</sup> Recommendations by some of the civil society observers present in Songdo, in a follow up email with individual GCF Board members after the second Board meeting.

<sup>2</sup> *Guidelines for Inviting Representatives of Civil Society to Observe Meetings of the CIF Trust Fund Committees*, <http://www.climateinvestmentfunds.org/cif/sites/climateinvestmentfunds.org/files/Guidelines%20for%20Inviting%20Reps%20of%20Civil%20Society...pdf>

## *II. Accreditation of observers organizations*

Until the GCF comes up with its own accreditation process, it should continue to rely on the UNFCCC and GEF observer accreditation systems. Given that the GCF is a UNFCCC institution, UNFCCC observer organizations should have automatic accreditation to the GCF. Further, accreditation can, in some instances, be a capacity issue. Smaller groups in developing countries already accredited to the UNFCCC and GEF might not have the capacity to undertake another accreditation process to the GCF in a timely manner.

### *3.2 Roles and responsibilities of active observers*

11. The active observers may intervene ~~upon invitation of the Co-Chairs~~ in open segments of the meetings of the Board. They may ~~not~~ attend as observers meetings of a Board committee or working group except in special circumstances and if expressly authorized by the Board....

#### **JUSTIFICATION:**

We suggest deletion of “upon invitation of the Co Chairs” for the same reason we made the same suggestion in para. 1, page 1 above. Regarding our suggestion of changing “may not attend” to “may attend” – we think it’s important to build on best practice as set, for example, by the Climate Investment Funds and the Global Fund to Fight AIDS, TB, and Malaria, where the board operates on the presumption of openness and transparency, and is allowed to make exceptions for closure and confidentiality as needed, rather than starting from a presumption of secrecy. Further, the contributions of the active civil society observers could add great value to the discourse that occurs at the committee/working group level.

### *3.2*

11(e) *Not disclose, both during and after their term of office, information obtained from Fund project participants that is marked as proprietary and/or confidential without the written consent of the provider of the information, except as otherwise required by the law or the GCF's information disclosure policy.*

#### **JUSTIFICATION:**

The information disclosure policy will determine which information provided to the GCF will be confidential, and which will be publicly available. Accordingly, this amendment makes clear that the active observers will be governed by the information disclosure policy.

#### **Two additional items for consideration**

As mentioned in Songdo, we support the following, which may be appropriate to add to the additional rules of procedure:

- (i) Active civil society observers should be seated among Board members and alternates.
- (ii) Active observers should be selected through a formalized and open, facilitated self-selection process. The GCF should cover the costs for this selection process. Funds should also be available to cover travel costs for the 2 active observers.



## ANNEX III

### Integrating Gender into the Work Plan of the Green Climate Fund Board<sup>3</sup>

Under decision 3/CP.17, the Green Climate Fund (GCF) made history as the first global climate finance mechanism to include gender equality concerns at its inception. As the GCF Board meets for the second time and discusses among others the long-term work plan and priorities of the board, these gender equality concepts need to be operationalized. The following recommendations demonstrate how the gender equality references from the GCF Governing Instrument can be integrated into a possible work plan of the Board. The recommendations are based on the commitments made in the Governing Instrument.<sup>4</sup>

**(a) Organizational and administrative matters, including additional rules of procedure of the Board, arrangements for the Interim and permanent Independent Secretariat and its head, Interim and permanent Independent Secretariat budgets, arrangements for the Interim Trustee, and arrangements for observer participation.**

The current GCF Governing Instrument calls for due consideration of gender balance in the Board and in the Secretariat. Diversity in leadership and broad expertise in decision-making creates opportunities for transformative change by improving on existing approaches to ensure that the GCF can best address complex climate change challenges, including the diverse needs and capacities of those impacted by and able to combat climate change. However, currently, of the 24 members of the GCF Board, only five are women; three others serve as alternative members. Going forward, it is hence imperative that women are adequately represented in all GCF decision-making and governing bodies such as Board sub-Committees and working groups.

- Include gender expertise within the Board and the staff of the Interim and permanent Independent Secretariat and ensure that the Head of the Independent Secretariat has a strong commitment to realizing a gender-sensitive approach in all of the GCF's operations;
- Ensure gender balance among the Independent Secretariat staff;
- The GCF host country should likewise have a proven strong commitment to gender equality;
- Provide adequate resources in the budgets of the Interim and permanent Independent Secretariat for an internal GCF gender infrastructure, including gender and social experts, staff gender capacity building efforts, as well as resources for information sharing and outreach activities;
- The GCF Board should ensure that all GCF Board meetings are open to a wide range of observers, and that Board proceedings are transparent and webcast, and that key documents are shared for stakeholder review and input in advance of meetings;
- Active observers in building on existing precedent should be allowed to make interventions during Board meetings as issues arise, add agenda items and request expert input and be able to participate in all Board working arrangements, including those conducted in between official Board meetings. Such representation by active observers should be encouraged to be gender-balanced and gender-informed.

**(b) Strategic policies, including the definition of the Fund's business model and its first strategic plan, approach to resource mobilization, allocation, management of funding windows, arrangements for the private sector facility and complementarity with other funds.**

In order to be transformative, the GCF business model needs to take into account a gender-sensitive approach, building on and expanding best practices in its processes and governing structures, including as the guiding principles in its governing instrument require for a gender-sensitive approach. It should place strong emphasis on stakeholder participation and input, including from vulnerable groups and women, both at the global and the national level.

<sup>3</sup> Authors: Elizabeth Eggerts, Hannah Strohmeier (UNDP), Liane Schalatek (Heinrich Böll Stiftung), Tim Gore (Oxfam), Tracy Raczek (UN Women), Rachel Harris (WEDO)

<sup>4</sup> Explicit gender reference in the GCF Governing Instrument are included under I. Objectives and Guiding Principles, Paragraph 3; II. Governance and Institutional Arrangements, Paragraphs 11 and 21; V. Operational Modalities, Paragraphs 31; XII. Stakeholder Input and Participation, Paragraphs 71.



- Develop gender-sensitive criteria for project identification and fund allocation for each funding window and facility (including for any private sector facility);
- Consider traditional as well as innovative funding mechanisms to facilitate a gender-sensitive approach, such as dedicated reserve funds specifically earmarked for women and marginalized groups within each of the GCFs' thematic funding windows, as well as channeling resources through complementary funding mechanisms dedicated to women's empowerment and gender equality that are in alignment with the GCF's objectives, as a complement to but not a substitute for addressing gender-based criteria across the Fund.

***(c) Policies on country programming and financial instruments, which define rules and procedures for programming and approvals, grants, loans and other modalities (e.g. guarantees, equity investments and innovative modes of financing), support for readiness and preparatory activities, technical assistance and other Fund policies.***

Special attention is required to ensure these rules and procedures for GCF-supported policy, programming, and strategies are gender-sensitive and respond to gender-differentiated impacts of climate change. For example, given finance mechanisms' often complex application processes and projects' significant upfront costs, women's, grassroots and civil society organizations tend to be precluded from accessing funds due to resource (e.g. time, staff) limitations. However, strategies can be adopted to address this.

- The GCF Secretariat should develop gender guidelines or gender action plans that are in alignment with relevant international commitments—including on human and women's rights, labor standards and environmental law—to be reviewed and updated periodically;
- Such gender guidelines or gender action plans should include gender-responsive criteria for programme design and performance, beginning with a mandatory up-front gender analysis to establish, inter alia, relevant baselines. The generation and use of sex-disaggregated data and verifiable gender indicators should be required as well as gender-responsive budgeting, monitoring, evaluation and auditing procedures and timely comprehensive reporting on participation of women and other vulnerable and marginalized groups in the development of country-led strategies. Such reporting needs to include clear evaluation tools to determine to what extent stakeholder views were reflected in strategy formulation and implementation;
- Provide support for readiness and preparatory activities, including technical assistance and capacity-building, for countries to develop gender-sensitive programming in alignment with a GCF gender action plan as a basic component of any funding modality;
- Provide countries and non-state actors with the opportunity to directly access funding without intermediaries as an option and preferred access modality. Women's cooperatives and groups and other vulnerable and marginalized groups should be supported both to engage in participatory country-led processes for the design and implementation of GCF finance (such as National Designated Authorities) and to apply for finance directly for adaptation and mitigation activities, for example via a small grants facility for women and marginalized groups;
- Streamline processes such as application, registration, approval, implementation, evaluation and monitoring of funds and make processes gender-responsive to support women's and small-scale initiatives; and provide dedicated resources for capacity-building and other support as necessary to facilitate the full and meaningful engagement of women and other vulnerable and marginalized groups in country-led processes for the design and implementation of GCF finance (such as via National Designated Authorities);
- Within GCF financial modalities and instruments, ensure a balanced allocation between mitigation and adaptation, with an allocation of no less than 50 percent of overall funds for the adaptation window, and access to funding for the most vulnerable countries and marginalized groups within countries.

***(d) Policies related to accountability framework and related mechanisms, which cover the environmental and social safeguards and policies, fiduciary standards and policies, including the rules governing financial management, procurement, disbursement and risk management policies.***

All efforts at integrating a gender-sensitive approach will be undermined without a robust accountability framework. Conversely, accountability for this approach will enhance the Fund's implementation and ensure it becomes a source of good practices and results on the ground.

- Develop a robust accountability framework that reinforces gender equality, women's rights and women's full participation in climate change strategies, in alignment with existing international commitments;
- Institute a gender-sensitive complaint and redress mechanism capable of addressing violations against social and environmental safeguards and policies, as well as against the proposed gender action plan of the GCF, at both the GCF institutional and the implementing entity level;
- Any GCF redress mechanism must allow civil society stakeholders, including women, to raise complaints and grievances with the GCF redress mechanism and have them addressed by gender experts.

**(e) Management policies**, covering the monitoring and evaluation of operations, results framework, knowledge management and the work of the Independent Evaluation Unit.

To help inform decision-making, promote transparency and improve efforts on the ground, the GCF needs to ensure monitoring and evaluation processes and results frameworks are gender-sensitive.

- At a minimum all data should be disaggregated by sex. Gender specific indicators should also be created to monitor, evaluate, and track progress of projects and programming;
- Consider creating an external independent evaluation process, in addition to the GCF evaluation unit, to assess the implementation of GCF gender policies and mandates in all GCF programming periodically;
- Provide mandatory gender training for all GCF Secretariat staff and make gender expertise an important criterion for staff selection and promotion;
- Draw on a network of external gender experts, such as a gender advisory group, to monitor gender-sensitive capacity building activities and provide technical support, including the identification and documentation of good practices and lessons learned from other relevant funds.

**(f) Policies relating to institutional linkages**, including arrangements with the COP, collaboration with Convention bodies, other climate change and development finance channels and policies relating to outreach and stakeholder engagement.

A gender-sensitive approach requires that women as essential stakeholders are fully considered and represented and that gender roles and dynamics, including constraints and capacities, are taken into account and proactively addressed in outreach and stakeholder engagement initiatives, such as when designing and conducting consultations, training, workshops, and capacity building activities, etc.

- Conduct gender-sensitive consultations with women and men in recipient countries as a requirement at all project cycle stages — conceptualization, design, implementation and monitoring and evaluation — drawing on local expertise and experience to ensure women and men stakeholders' access to and benefits from climate financing;
- The development of national strategies and plans, and their implementation, must include the full participation and input of women, and key country-level institutions, particularly the National Designated Authorities, should have gender expertise, seek a gender balance on their staff and include key women stakeholders;
- Gender roles and dynamics, including constraints and capacities, should be taken into account and proactively addressed in outreach and stakeholder engagement initiatives, such as when designing and conducting consultations, training, workshops, and capacity building activities, etc.





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