THIRD WORLD NETWORK

Compilation of articles on the Green Climate Fund Board meeting
(March to October 2013)

Contents

TWN Info Service on Climate Change (Mar13/02)
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Green Climate Fund Board meeting concludes after lively exchanges

Berlin, 19 March (Meena Raman) – The third meeting of the Green Climate Fund (GCF) Board took place in Berlin, Germany, on 13 – 15 March, 2013.

The Board adopted several decisions during the three day meeting which included decisions on the Fund's business model framework, resource mobilisation, establishment of the Fund's independent secretariat, modalities for readiness and preparatory support, arrangements between the Conference of Parties of the United Nation's Framework Convention on Climate Change (UNFCCC) and the Fund, logo of the Fund, the headquarters agreement (with the Republic of Korea), communication and representation, and additional rules of procedure of the Board including that relating to observers.

Among the most controversial issues, which saw divergence of views among board members were those related to the business model framework, resource mobilisation and the administrative policies of the independent secretariat.

The main issues that occupied the attention of board members on the business model framework were on the meaning of "wholesale" and "retail" functions of the GCF as well as that of resource mobilisation. Several Board members stressed the importance of the GCF being "country-owned and driven". India advocated this to be a core principle for the GCF

Several developed country Board members were of the view that the issue of resource mobilisation should not be the subject of the business model framework while several developing country members thought otherwise.

Another issue discussed under the business model framework was that of the leveraging of funding resources. Developing countries wanted a more comprehensive approach, with the leveraging of funds, programmes and policies within a country-led context. How to address the private-sector facility was also discussed, with several developing country Board members expressing concern that it was being over-emphasised. They expressed concerns that a parallel fund was being set up for the private-sector facility.

(The GCF Board is comprised of 24 members, composed of an equal number of members from developed and developing countries).

The Board meeting was co-chaired by Ewen McDonald (Australia) and Zaheer Fakir (South Africa). Two "active observers" from civil society organisations (CSOs) and two from private sector organisations (PSO) representing developed and developing countries were allowed to participate in the meeting. The Third World Network and the Sierra Club represented CSOs while the PSO representatives were from Carbon Markets and Investors Association (CIMA) and the International Chamber of Commerce.

Business model framework (BMF)

In a background document prepared by the interim secretariat for the Berlin Board meeting on the issue of the BMF, Board members were reminded that at their last meeting in Songdo, Republic of Korea in October 2012, a team of six Board members were tasked with preparing documents on the BMF. According to the secretariat's background document, the team, assisted by the interim secretariat conducted a series of teleconferences and developed the terms of reference (TOR) for a consultancy on the BMF.

The TOR for the document to be prepared by the consultancy was to have four components: a first overarching component on the 'Structure and organisation' of the Fund, private sector facility-related matters, access modalities, and results management framework.

The team of Board members requested that an institutional contractor be engaged for the work and suggested a number of possible institutions to undertake the work. The interim secretariat executed a fast-track procurement process. According to the background document, two proposals were evaluated by the interim secretariat. "Given that the anticipated cost of the consultancy was higher than the overall consultancy budget presented to the Board at its second meeting (in Songdo), the Co-chairs recommended that the work be divided in two stages and sought the approval of the Board on a no-objection basis to award the consultancy for the work associated … The Co-chairs subsequently received objections from two Board members (from developing country Board members)," said the background document.

The Berlin meeting was invited to provide guidance on how to take the work forward. When the agenda item on the BMF issue arose for consideration on the second day of the meeting (on 14 March), co-chair Ewen McDonald asked Board members to consider a draft decision which was emailed to members the night before on 13 March.

McDonald said that following discussions at an informal meeting held on 12 March, the co-chairs agreed to provide a draft decision on the BMF. (He was referring to an informal meeting held on 12 March for Board members/alternates/advisors to discuss mainly the BMF issue. According to sources, the informal meeting saw an airing of views about the BMF, including information provided by Board member Dipak Dasgupta of India on the outcomes of a meeting held in New Delhi from February 15 -16, 2013. The Delhi meeting was attended by a small group of Board members or their alternates and representatives from India, Egypt, the Philippines, Saudi Arabia, Sweden and Zambia and resulted in a document called a 'Delhi Vision Statement for Enhanced Operationalization of the GCF'. According to the Delhi statement, at the Board meeting in Songdo, Dasgupta had offered to prepare a 'vision statement' to help frame for Board members and stakeholders some key issues and options in operationalizing the GCF. The 'Delhi Vision Statement' was also submitted by Dasgupta on 11 March as an input to the discussion on the BMF).

McDonald referred to the draft decision drafted by the co-chairs which initially read as follows: "The Board….

(b) Notes that the following areas of convergence on the business model framework of the Fund are consistent with the Governing Instrument, namely that the Fund will be ambitious, flexible and scalable, have a country-driven and owned approach, employ direct access, and leverage the private sector through its Private Sector Facility;

(c) Further notes convergence that the Fund should also:

> (i) Use a phased approach by commencing as a wholesale fund for the interim period and to transition to retail functions upon further assessment by the Board;
>
> (ii) Leverage funding, including from other multilateral funds; and
>
> (iii) Focus initially on grants and concessional lending, and employ additional financial instruments as necessary to effectively achieve the objectives of the Fund; …"

The draft decision also had two annexes – with a list of documents on the BMF to be prepared for the June and September 2012 meetings of the Board respectively.

Dasgupta (India) said that it was important for the Board to have high order convergence and suggested that part (c) (i) be deleted as the focus was on wholesale and retail functions. He said that the Board should agree on a devolved country-led model and country-led framework for the GCF work.

On the issue of leveraging [referring to (c)(ii)], Dasgupta said there was need to be more comprehensive, with the leveraging of funds, programmes and policies with the approach first of all being within a country-led process, involving both the public and private sector. He said that there was need to also ensure that the Fund was transparent and accountable. Dasgupta also wanted inclusion of raising resources which were sufficient given the urgency and scale of the funding needed.

Hong-Sang Jung (Republic of Korea) raised questions about the GCF commencing as a wholesale fund, saying that it could make it much weaker as it could not just be a wholesale provider, using the same channels and process. There was need for direct access and country ownership, he added.

David Kaluba (Zambia) stressed the need for the Fund to involve local actors, small and medium enterprises who should be the beneficiaries of channels in the private-sector facility. He asked what "wholesale" or "retail" was, saying that it would take a long time to agree on a definition. It was better to stick to what is in the Governing Instrument of the GCF and not add new language. He asked how enhanced direct access is supposed to be achieved.

Kjetil Lund (Norway) said there was need to have a top-down discussion of the "whole house", including a look at the existing infrastructure (on climate financing) and what has worked and what has not worked so well.

Jan Cedergren (Sweden) wanted reference to the Fund being "decentralised"; he did not want reference to "wholesale" and "retail". On the issue of leveraging, he supported the views of Dasgupta. He also stressed that country ownership was an essential feature of the Fund.

Omar El-Arini (Egypt) also said that he could not understand the terms "wholesale" and "retail" saying that this was "mercantile terminology". On the list of documents for further work, he said there was need to address what are performance indicators; what are incremental costs and what the Fund would disburse and on what basis. He said that the private-sector facility was being over-emphasised as if we are creating a parallel fund and we are not addressing funding windows which are part and parcel of adaption and mitigation.

El-Arini added that as regards access modalities, there is need to develop the "no-objection procedure" in relation to the national designated authorities (NDA).

(In Durban at the 17th meeting of the UNFCCC Conference of Parties, it was agreed that the Board will develop a transparent no-objection procedure to be conducted through the NDAs, in order to ensure consistency with national climate strategies and plans and a country driven approach and to provide for effective direct and indirect public and private sector financing by the GCF. The Board was requested to determine this procedure prior to approval of funding proposals by the Fund.)

The Egyptian Board member also stressed other areas of importance such as the development of fiduciary standards, environmental/social safeguards, and the need for accountability mechanisms. He also suggested the organizing of a workshop for Board members/alternates where the papers produced could be discussed.

Yoshiki Takeuchi (Japan) was not sure that the issue of resource mobilization is part of the BMF and said that there was no convergence on this.

Nicholas Dyer (UK) said as regards "mitigation", we are chasing the lowest abatement costs as regards CO2 emissions that will determine what type of investments are needed. This might not be in low-income countries. There was need for policy choices. As regards "wholesale" and "retail", Dyer said the difference is between funding a project directly by the GCF or via an intermediary; retail meant funding a project directly while wholesale is through the NDAs. He asked if members wanted the GCF to fund individual projects which would require a different structure.

Manfred Konukiewitz (Germany) welcomed the need for country ownership and leadership. Referring to Dasgupta's proposal for a devolved model, Manfred said that the term 'devolution' was too ambiguous. On the issue of resource mobilisation, he said that this was not an element of the BMF. He said that developed countries had a commitment from the Cancun (UNFCCC Conference of Parties) decision (to mobilise USD 100 billion per year by 2020) and that all had agreed to channel substantial amounts. He said developed countries need to convince “their constituencies” that the GCF had added-value.

Audrey Joy Grant (Belize) also expressed concerns over the use of the terms “wholesale” and “retail.”

Matthew Kotchen (US), referring to paragraph (b) of the draft decision said that the private sector should be leveraged through all aspects and not just through the private sector facility. On measuring performance at the programme and project level, he said efforts should be compared to business-as-usual, as we want transformational effect.

Tosi Mpanu Mpanu (Democratic Republic of Congo) expressed support for Zambia, Egypt and India. Referring to donor countries stressing the need to pass the “tax-payer test”, he said there is the other side of the transaction as recipients of the money which is the “efficacy test”. The recipients must be able to access the funding and must have capacity to do so. On the issue of devolution of the Fund to the country-level, this is counterbalanced by the need for accountability, he said.

Arnaud Buisse (France) supported a decentralized approach but with a global and strategic perspective.

Per Callesen (Denmark) said that the BMF was only a sub-component of all the work that needed to be done by the Board. He also supported the idea of having workshops for Board members.

Adriana Soto (Colombia), who was the leader of the team that drafted the TOR for the BMF, said the draft TOR provided a good basis for the work ahead. Ernesto Cordero (Mexico) expressed disappointment that the TOR drafted by the BMF team was not on the table anymore.

Beata Jaczewska (Poland) said that discussions were going on internally (in Poland) on the effectiveness of using public money for ecological investments. There needed to be a certain set of rules and vision in this regard.

Alexey Kvasov (Russia) said that whatever “wholesale” and “retail” means, members were dealing with different “species”. What is missing is the need for “safety nets” – safeguards, audits, inspections, and remedies to correct irregularities, as misappropriation of funding could derail the Fund, he added.

Rod Hilton (Australia) said that the BMF is critical to the credibility of the Fund in order to show his treasury what the funding support is for. He added that ‘devolution’ and ‘decentralization’ could be hard to define but there is already the notion of “country ownership”.

Dasgupta (India) in response to the various comments said that “country-owned and driven” is a core principle for the GCF. He added that on the access modalities, from the Governing Instrument, international access comes after enhanced direct access. It is important to devolve responsibilities to where they belong and this is a fundamental design principle, he stressed.

On the issue of “leveraging”, there needed to be a broader definition, said Dasgupta, through the use of national policies and programmes to strengthen the base for private sector and civil society engagement to get results. Referring to questions posed by the co-chairs in the run-up to the Berlin meeting, he said there seemed to be an extraordinary emphasis on the private-sector facility. He asked what it was that members wanted to achieve. He said there was need to focus on the outcomes that use instruments including the private sector but in a context with country-ownership being the core of the BMF.

The active observers from the private sector and CSOs were invited to give their views. The CIMA representative said that the focus on grants will only mobilize private sector funding to bridge specific risk or cost gaps and there was need to allocate grants for partial risk guarantees. Grants and concessional lending is not what normally engages the private sector, said the representative further.

The representative from Sierra Club (speaking for CSOs) said there was need for further analysis on how the private-sector facility can further a country-driven approach. He said leveraging the private sector is not an objective in itself. It was important to view the leveraging of the private sector in the context of sustainable development and the impact that would have on the poor. He added the need to consider role of safeguards and accountability mechanisms. The **Third World Network** representative stressed the need to consider the overall direction of the outcomes of the GCF in serving the interest of the poorest in developing countries. She also supported the view that resource mobilization was a key issue in the design of the GCF and the BMF.

Following these comments, co-chair McDonald introduced a revised version of the draft decision and solicited further reactions.

Dasgupta (India) wanted reference to a Fund that operates through funding entities and transitions to direct access. He also wanted reference to resource mobilisation and to allow for a mechanism for additional sources of funding, enabling resource mobilisation at a larger scale. Readiness and capacity building were also important elements, he added further.

El-Arini (Egypt) did not want reference to operating through intermediaries as this implied financial intermediary. He preferred operations through funding entities.

Kjetil Lund (Norway) in response to Dasgupta did not want reference to resource mobilisation. He said Norway wanted to contribute to the Fund but needed to politically explain how the GCF worked so that contributing to it could be defended.

Dasgupta (India) in response insisted reference be made to mobilising sufficient resources in addition to the rest of the words in paragraph (c)(iii) (in the revised draft) which were "leverage funding, knowledge and expertise from public and private sources both at national and international level." (Dasgupta's proposal was as follows: "Mobilise sufficient resources and leverage funding, knowledge and expertise from public and private sources both at national and international level.")

Matthew Kotchen (US) could not support Dasgupta's proposal as he did not want resource mobilisation to be addressed before members looked at other design elements of the GCF.

Tosi Mpanu Mpanu (DRC) also wanted reference to resources being mobilised.

Dasgupta (India) in response said that if the GCF wants to get to the large changes needed in developing countries towards addressing climate change, it is clear from literature that costs have to be upfront for policies to be designed to achieve the goal of ambition and scale to deliver the global public good. He asked if developed country members were saying they do not have resources.

When asked by co-chair McDonald if there was convergence on Dasgupta's proposal on referencing resource mobilisation in the sentence regarding "leverage funding …" Manfred Konukiewitz (Germany) responded that there was need to keep the issues of the BMF and resource mobilisation separate. One issue should not be held hostage to the other, Manfred added. In response, Dasgupta called for the deletion of the entire sentence in paragraph (c)(iii) if there was no convergence on the issue of resource mobilisation.

The final decision that was adopted as regards the BMF was as follows-

"The Board, having reviewed document GCF/B.01-13/11, Business model framework of the Green Climate Fund:

(a) Took note of and welcomed the work of the business model framework team, comprised of six Board members/alternate members formed at its second meeting under decision B.02-12/03, in the preparation of the detailed terms of reference for a consultancy on the business model framework of the Green Climate Fund, as contained in the annex of document GCF/B.01-13/11;

(b) Noted that the following areas of convergence on the business model framework of the Fund are consistent with the Governing Instrument, namely that the Fund will be ambitious, flexible and scalable, have a country-driven and owned approach, employ direct access modalities and other access modalities, and leverage additional public and private resources through the operational modalities of the Fund, including through the private sector facility;

(c) Further noted convergence that the Fund should also:

(i) Recognise that a country driven approach is a core principle to build the business model of the Fund;

(ii) Commence as a fund that operates through accredited national, regional, and international intermediaries and implementing entities;

(iii) Focus initially on grants and concessional lending, and employ additional financial instruments as necessary to effectively achieve the objectives of the Fund;

(iv) Enhance transparency and accountability;

(d) Decided that the areas of the business model framework set out in Annex XXX to this report should be the focus of further analysis and work to develop options for consideration by the Board at its June 2013 meeting;

(e) Decided that the areas of the business model framework set out in Annex XXX to this report should be the focus of further analysis and work to develop options for consideration by the Board at its September 2013 meeting;

(f) Requested that, the Interim Secretariat, under the guidance of the Co-Chairs, to draw from and build on the work of the terms of reference for a consultancy on the business model framework of the Green Climate Fund to develop the parameters for the work set out in (the) Annexes ;

(g) Requested the Co-chairs to work with the Interim Secretariat to ensure that there is overall coherence within the development of the business model framework work, as well as coherence within the development of the business model framework work and the broader work plan of the Board;

(h) Requested thereafter that the business model framework team provides guidance on the work set out in Annexes … to this decision and coherence, and report to the Board at its June and September 2013 meetings;

(i) Decides to authorise the Interim Secretariat, if necessary, to organise one or several meeting/s of the BMF team to review the Board documents, under the guidance of the Co-Chairs, prior to the June and September Board meetings;

(j) Approves, from the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 as amended in this decision, an allocation of US$ 600,000 for the completion of the work set out in Annexes …;

(k) Requests the Interim Secretariat, under the guidance of the Co-Chairs, to ensure that expenditure under this decision is efficient and cost-effective and to seek the Co-Chairs' approval if there is a requirement to exceed this amount, noting the Co-Chairs may approve a larger allocation of funding for this work provided that it can be accommodated within the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 as amended in this decision;

(l) Decides that the overall administrative budget for the Fund for the period from 1 November 2012 to 31 December 2013 as adopted in decision B.02-12/06 for the Interim Secretariat, and specifically the amount allocated for consultancies, be increased by US$ 150,000;

(m) Invites contributions to the Green Climate Fund Trust Fund; and

(n) Authorizes the Interim Trustee to make additional cash transfers of US$ 150,000 from the Green Climate Fund Trust Fund to the UNFCCC secretariat for the Interim Secretariat for this purpose, subject to available resources."

(The annexes to the above decision are not reproduced here.)

The issue of resource mobilisation was a separate agenda item that the Board addressed on the final day of the meeting on 15 March. This issue once again was mired in controversy. (Another article in this regard is forthcoming).

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Disagreement over mobilising resources

Berlin, 21 March (Meena Raman) – The issue of how to mobilise resources for the Green Climate Fund was a source of much disagreement at the recently concluded meeting of its Board.

The third meeting of the Green Climate Fund (GCF) Board took place in Berlin, Germany, from 13th to 15th March, 2013. Among the several decisions adopted by the Board during the three day meeting included a decision on resource mobilisation which was agreed to on the final day of the meeting. However, there were major disagreements among Board members from developing countries and some developed countries, especially the United States.

The Board is co-chaired by Ewen McDonald (Australia) and Zaheer Fakir (South Africa).

The Board members were asked to consider a draft decision that approved the scope of work set out in an annex to a document prepared by the interim secretariat on resource mobilisation for the GCF. According to the annex, from March to September 2013, "the interim secretariat will prepare a resource mobilisation strategy document for consideration by the Board at its meeting in September 2013. In doing so, the interim secretariat will operate under the guidance of the co-chairs, and take into consideration the guidance on the Fund's resource mobilisation provided by the Board during its meeting in March 2013, as well as the guidance provided by the Board on the Fund's business model framework. The strategy document will lay out key elements and a timeline for organising the initial resource mobilisation for the Fund."

Further, according to the annex, the "board meeting in September 2013 will consider the resource mobilisation strategy and take decisions on the Fund's approach to resource mobilisation and key factors determining how the approach will be implemented".

The US, supported by Japan, was strongly against any timeline for resource mobilisation. The US finally accepted the draft decision proposed after giving its own interpretation on the issue of the timeline and the decision to be taken in September. The US Board member said it was hard to make a compelling case that the GCF was an entity worth putting the money into. It was also opposed to having any burden-sharing arrangements among developed countries for financial contributions and was not ready for any timelines for the mobilisation of resources.

The interim secretariat document also provided three options for the Board to consider as follows: option 1: to follow an ad hoc resource mobilisation process; option 2: to start the Fund with an ad hoc resource mobilisation process, with a goal to transition to a periodic replenishment process; and option 3: to immediately move into a periodic replenishment process.

Dipak Dasgupta (India) said there is need to talk about the scale of the resources required upfront which is predictable and significant in size and ambition. As regards predictability, there is need for upfront contributions and the GCF was neither a donor programme nor a charity. It is also not a multilateral development bank. It is about contributions to get the actions done in developing countries; these actions cannot be committed to by developing countries unless they know what the actual resources there are. There is need to support policies and investments in the long term. There could not be a voluntary approach to contributions. If one country feels that it wants to make a contribution and others do not, that will make it difficult for everyone to come and board and free-riding needs to be prevented, elaborated Dasgupta further.

Dasgupta said the Board needed to define the scale and process of mobilisation of resources which was significant and ambitious. If it was difficult for some countries to raise resources to the scale needed, the developed countries as a group could go to the bond markets and raise resources collectively. Global bond markets were ready to finance if developed countries wished to go to it. The costs could be covered later by fiscal measures or other steps like national lotteries, he said further. There were plenty of existing instruments and special purpose vehicles to raise the resources needed. Climate change is here and was ahead of the Eurozone and financial crisis, he added.

Hong-Sang Jung (Republic of Korea) said that having periodic replenishment of resources and appropriate burden-sharing sharing arrangements (among developed countries) is most effective for stability and predictability of financial resources.

David Kaluba (Zambia) supported Dasgupta and said that members were familiar with the extent of resources needed for the paradigm shift. Developing countries did not have the luxury to wait and some LDCs are already taking climate action. Kaluba said that predictability of resources is needed to meaningfully respond to challenge; hence a periodic replenishment of resources is needed.

Omar El-Arini (Egypt) said that resource mobilisation for the GCF is in the context of the United Nations Framework Convention on Climate Change (UNFCCC). He was surprised that document prepared by the interim secretariat on resource mobilisation had not referred to the Convention's relevant articles or to the decision of the Conference of Parties in Cancun (where the GCF and the mobilisation by developed countries of the USD 100 billion per year by 2020 was agreed to.)

El-Arini also reminded members to be mindful of on-going negotiations for the new agreement under the Durban Platform which is to conclude in 2015. He said that the agreement would be impossible if the Fund was not functioning well and with appropriate scale of resources. He stressed the importance for the Board to agree to an initial capitalisation of the GCF for a stable amount of funding over 3-5 years. Members could discuss how the capitalisation could be funded, he added.

Kjetil Lund (Norway) said that while Norway remained committed to making contributions, it is unable to talk about resource mobilisation without knowing what the business model of the GCF is.

Nicholas Dyer (UK) said that in order to attract resources into the Fund, there is need for objectives and results; pledges to demonstrate performance and to score well based on multilateral aid criteria. He said a periodic replenishment cycle would allow for planning and a more strategic approach, while ad-hoc mobilization which gives flexibly and can be fast. Dyer also supported limited earmarking of funds.

Yoshiki Takeuchi (Japan) said that while resource mobilisation is important, he needed to see the business model of the GCF to view its value addition. He said a unique aspect is the private sector facility. He suggested starting the GCF with a pilot phase approach with resources mobilised on an ad hoc basis. The GCF should not close its door to contributions from developing countries and the private sector. The type of contribution should be open and flexible, he added, referring to the World Bank's Climate Investment Funds, where a wide variety of financial support is provided through grants, loans, guarantees and equities. He also supported earmarking of funds.

Manfred Konukiewitz (Germany) said that ambition is not just to mobilise the GCF but to also get the results, which is to limit or reduce greenhouse gas emissions. He preferred periodic replenishment of financial resources that allowed for better predictability and was willing to consider ad hoc pledges for initial funding. Konukiewitz also favoured a transparent and fair burden sharing arrangement (in determining the financial contributions) that should be based on ability to pay and responsibility for the emissions. He said further that it was difficult to explain to the average person that (developing) countries which are wealthier than the EU and which have more emissions per capita should not be requested to pay.

Rod Hilton (Australia) said that there could be no pledging session before the business model framework, standards and safeguards policy and procedures are in place. A key issue for Australia was for resources to be allocated to SIDs and LDCs. Engagement with the private sector was also important, he added. Hilton supported option 2 referred to in the interim secretariat document as regards resource mobilisation.

Derek Gibbs (Barbados) also supported option 2 and said the ad hoc approach should start in 2013, given that a number of donors are ready to contribute to the Fund.

Arnaud Buisse (France) supported option 3 and was open to option 2 for a short period of time since the Fund was just starting. On the financial inputs, he said there must be flexibility. He expressed strong reservations against earmarking of funds.

Jan Cedergren (Sweden), referring to the vision of the GCF, said the "animal" needs to be seen before we can put the money in it. He preferred option 3 as this is a periodic replenishment process which can give predictability related to the objectives. He also wanted peer pressure to be exerted (on developed countries to make contributions) and to push free riders. Resources trickling in, in bits and pieces should be avoided he said, and was against earmarking as this would be negative for the Fund.

Per Callesen (Demark) supported option 2 to start with ad hoc resource mobilisation and to move to periodic replenishment later. He also said it would be productive to work out a burden-sharing arrangement. He also had reservations about earmarking the funds.

Matthew Kotchen (US) said that while the US was committed to the GCF, it was premature to discuss resource mobilisation as the work on the business model framework was just beginning. He was against moving forward with the draft decision as proposed. He was against having a timeline in organising the initial resource mobilisation for the Fund as there was too much design work (of the GCF) to do and a short timeline would be counter-productive. It was also a challenge to disburse money through the GCF as there was too much uncertainty, he added. He said it was hard to make a compelling case that it was an entity worth putting the money into. The US was also opposed to the notion of burden-sharing and was not ready for any timelines for the mobilisation of resources.

Anna Fornells de Frutos (Spain) supported an ambitious timeline and was for option 2. Tosi Mpanu Mpanu (Democratic Republic of Congo) said that option 3 is the most attractive and that the prospect for the 2015 deal (under the Durban Platform) was very bleak if there is no clarity on finance.

Responding to the comments by developed countries, **Dasgupta (India)** suggested the need for a document from developed countries on timelines and processes for resource mobilisation. He said that developing countries too have Parliaments and they were being asked questions.

When McDonald asked members if they had any objections to the draft decision, the US Board member, Matthew Kotchen, reiterated his objection to formulating a specific timeline as it was premature to commit to resource mobilisation before clarity on the business model framework.

Dasgupta (India) in response said that asking the interim secretariat to resolve questions which are political was unfair, as it for developed countries to answer this. He said that all we hear is that developed countries want to see the business model framework and then only address resource mobilisation. This he said, sounded like only one side (of the bargain). He suggested that important financial source countries look at issues of burden sharing, their internal processes, and what guidance is needed from their Parliament which can be made known to members. He wanted to know what developed countries had in their mind between now and the next meeting in June on timelines which address the ambition and scale of resources needed.

Yoshiki Takeuchi (Japan) shared the US view that it was premature to talk about the timeline on resource mobilisation.Nicholas Dyer (UK) said there was no need for more papers. There were options for mobilisation of resources which can be worked on further.

The US once again insisted on deleting any reference to the timeline for organising resource mobilisation. India, in response insisted it would like to see a timeline as there was a close link between the business model framework and resource mobilisation.

At this juncture, McDonald proposed a short break. When the meeting resumed, McDonald once again asked members if they had any objections on the scope for further work on resource mobilisation as contained in the document prepared by the interim secretariat.

Matthew Kotchen (US) said that he did not have an objection but wanted to clarify why he had objected earlier. He said that the draft decision tasked the interim secretariat to lay out a timeline (for organising the initial resource mobilisation for the Fund) for the September meeting and that a decision would be taken in September when the business model framework would be seen for the first time. It wanted to avoid setting specific markers.

The US then said then agreed to the sentence on the timeline if it was interpreted as referring to "a set of possible timelines". (The actual language in the document was "The strategy document will lay out key elements and a timeline for organising the initial resource mobilisation for the Fund).

As regards the decision which states that "Board meeting in September 2013: The Board will consider the resource mobilisation strategy and take decision on the Fund's approach to resource mobilisation and key factors determining how that approach will be implemented," the US said the word "consider" meant "consider taking decisions and not taking decisions on resource mobilisation."

The decision was the adopted by the Board. In welcoming the decision, Dasgupta (India) wanted developed countries as a group to address the specifics in relation to the process of responding to: "the scale, predictability, upfront contributions; appropriate sharing of responsibility; relationship to other funds and the GCF; probable timelines, their intentions and processes; and innovative ways by inviting an 'open' architecture for contributions by private and public sources."

During the session, civil society was also invited to give their views. **The Sierra Club representative** said that GCF should focus effort on an ambitious paradigm shift so resources could be scaled-up in accordance with Articles 4.3 and 11 of the Convention. Developed countries should put forward an initial pledge as a matter of urgency in 2013 and prepare the way for disbursement, said the representative. He supported the approach in option 2 and wanted rapid mobilising of resources. This did not have to wait for a burden sharing arrangement and should not prejudge the option of burden sharing. The resources needed to be adequate and predictable and could come from public sources and direct contributions from financial transaction taxes, aviation levies etc. The issue was political scarcity and not economic scarcity, he added.

The representative from the **Third World Network** said that the discussion of the Board members appeared to be a chicken and egg problem. She cautioned that the "chickens had come home to roost" and it was called "climate change". She stressed that the GCF is about enhancing the implementation of the Convention, which was ratified in 1994 and it was now 2013, and very little money had been channelled under the Convention. It was immoral for developed countries to continue to delay making their commitments to the GCF, as the poor are already paying the price. She also supported the need for appropriate burden sharing arrangements among developed countries. She cautioned against the proposals by some Board members for the GCF to provide loan guarantees and other instruments that would put the GCF at risk. The TWN representative referred to a quote by a great leader who once said that if the climate was a bank, it would have been bailed out!

TWN Info Service on Climate Change (Mar13/04)
22 March 2013
Third World Network

Poser over administrative framework for independent secretariat

Berlin, 22 March (Meena Raman) - The issue of what administrative framework the independent secretariat of the Green Climate Fund (GCF) should opt for, became a matter of controversy at the recently concluded meeting of its Board, which took place in Berlin, Germany from 13th to 15th March.

In a document prepared by the interim secretariat on the 'Administrative policies of the independent secretariat', three options were provided for the Board's consideration as follows: (a) United Nations (UN) common system administration; (b) multilateral development bank (MDB) –type administration or (c) non-UN/MDB administration.

In what appeared to most observers to be a 'UN vs. MDB fight', many developing country Board members supported option (a) which is for a UN system, while most developed country Board members, (with the exception of Sweden), supported option (b) for an MDB-type system.

A very lively exchange ensued when this matter was discussed on the second day of the meeting, with some developed countries like the US arguing that an MDB-type system would attract "financial experts", given higher remuneration for employees as compared to the UN-system. In response, developing country Board members, led by India stressed that the GCF was not a "Wall Street institution".

Jan Cedergren (Sweden) was supportive of following a UN common system of administration. Others who also were in favour of this option included Omar El-Arini (Egypt), Dipak Dasgupta (India), and Tosi Mpanu Mpanu (Democratic Republic of Congo),

Matthew Kotchen (US) preferred the MDB-type system. Hong-Sang Jung (Republic of Korea) also supported the MDB-type system, saying that the UN system pays 40% lower salaries than the MDBs and it was important to secure quality staff. Others who preferred this option included the representatives from Australia, Norway and Japan.

Tosi Mpanu-Mpanu (DRC) in response did not agree that giving better pays will ensure better talent. He said that it was surprising that developed country Board members talk about 'best value for money' and the need for developing countries to pass the 'tax-payers test' but were prepared to pay 40% more salaries for the staff of independent secretariat.

Omar El-Arini (Egypt) said that the UN system can provide more benefits than the MDBs if one took into account staff with families. Setting up a UN common system will require very little time and bureaucratic procedure which could be implemented immediately, compared with the MDB-type system, he argued further.

Matthew Kotchen (US) stressed that the Board was creating a financial institution with hundreds of billions of dollars. Since it is a financial institution, the second option was needed to have experts in the financial sector. Dasgupta (India) responded saying that the Board was not creating a "Wall Street institution".

Rod Hilton (Australia) while proposing the second option suggested that perhaps a hybrid option should be considered. Nicholas Dyer (UK) said that based on what he heard, he was more attracted to the idea as to what works in the (Asian) region and there could be a further option. (The independent secretariat will be located in Songdo, Republic of Korea).

Bambang Brodjonegoro (Indonesia) said that the GCF was similar to the International Fund for Agriculture Development (IFAD), which is based in Rome. It was called a 'fund' and is part of the UN system and is managed similar to an MDB.

Manfred Konukiewitz (Germany) responded that the Board may want to look at the IFAD system to find a solution. He said further that the GCF would be competing for "experts". There was lower job security in the MDBs but the pay packet was higher.

Alexey Kvasov (Russia) said that it might be good to look at a regional development bank (referring to the Asian Development Bank) as a reference point as it might be closer to the second option while "removing the stigma of the World Bank", making the discussions easier.

At this juncture, co-chair Zaheer Fakir (South Africa) invited a representative from the civil society organisations to speak.

A representative of the **Third World Network** took the floor and said that it appeared as if some Board members were under-valuing the UN system which had much expertise, including in disbursing large amounts of money to developing countries such as the United Nations Development Programme (UNDP) that managed a multi-donor trust fund. She added that the GCF was an operating entity of the financial mechanism of the United Nations Framework Convention on Climate Change (UNFCCC), and it was only natural to follow the UN common system of administration. She agreed with India that the GCF was not a "Wall Street" institution.

Fakir then suspended discussions on the issue, and tasked the Japanese and Indonesian Board members who were from the Asian region to have a discussion on what was in the best interest for the GCF and take up the matter again the following morning on the final day.

When the meeting resumed on March 15, **Bambang Brodjonegoro (Indonesia)** reported that IFAD followed the UN system of administration. He said that he and the Japanese Board member discussed various options and would like to propose a hybrid model combining the characteristics of IFAD and the ADB. He said that the GCF independent secretariat could follow an ADB remuneration package, with the benefits of the UN system of subsidies.

In response, Omar El-Arini (Egypt) asked if it was feasible for the independent secretariat to follow such a hybrid system. He also wanted members to be mindful of the fact that the GCF was not a bank which is in the business of making money, while the GCF is about spending money.

Matthew Kotchen (US) reiterated that it was very important to get the right high quality staff and strongly supported the MDB-type system. He said this was not a political issue of "MDBs vs. the UN" but was about getting high qualified staff. He said there was need for more information in respect of how the ADB compared with the MDB standards. He was unclear about the hybrid system.

The interim secretariat clarified that a hybrid model would require the development of a completely new administrative system, which would be intensive work, as it was not just about adopting a remuneration package of rules and regulations. As regards the ADB structure, he said it comprised 98% of the MDB remuneration scale with additional benefits as support for the families of staff members. He said the ADB sits between the UN and MDB system.

Fakir then asked Board members if they could look at a hybrid option. He said that more information could be got if this was feasible and for the co-chairs, through the intersessional process to get agreement on the matter.

Omar El-Arini said he was prepared to go along with the proposal but stressed that it was important for the secretariat to start as an "independent secretariat". Matthew Kotchen (US) also supported the proposal of the co-chairs for more information.

Fakir clarified that if there was no agreement during the intersessional session, then members can decide at the next board meeting in June.

The Board then adopted a decision requesting the interim secretariat to further explore the feasibility of the options presented in its document, including a UN common system, a MDB system and a UN-MDB hybrid option based on IFAD and the ADB, in its further work on preparing the administrative policies of the independent secretariat and prepare a working document for an intersessional decision by the Board on a no-objection basis.

They also agreed that should the Board not agree instersessionally to an option for the administrative policies of the independent secretariat, the matter will be brought forward to the Board for consideration at its June 2013 meeting.

TWN Info Service on Climate Change (Jul13/01)
2 July 2013
Third World Network

Director appointed, decisions made at GCF Board

Beijing, 1 Jul (Meena Raman) - The fourth meeting of the UN Framework Convention on Climate Change's Green Climate Fund (GCF) Board, which began on 26 June in Songdo, South Korea, concluded on 28 June with the selection of its Executive Director as well as the adoption of decisions on the 'business model framework', which included the private sector facility.

A decision was taken to set up three new structures under the private sector facility, to determine the terms of engagement with the private sector, exert due diligence and manage risks, as well as to review investment proposals and instruments.

Selection of the Executive Director

The GCF Board selected Ms. Hela Cheikhrouhou as the Fund Secretariat's first Executive Director (ED), following a global recruitment process.

Cheikhrouhou is a Tunisian national, and is currently Director of the Energy, Environment and Climate Change Department at the African Development Bank, and has spent the last ten years working in multilateral development banks, first in the Latin America and Caribbean region of the World Bank, and then for the African Development Bank.

The selection of the ED was done on 26 June, in a long session of the Board meeting on the first day, which was closed to observers. It was learnt that the final short list of candidates for the ED comprised of three persons, including Cheikhrouhou and two others from the Netherlands and Colombia.

The Dutch candidate was Mr. Jules Kortenhorst, the former Chief Executive Officer of the European Climate Foundation (which is a philanthropic organisation in Europe, and according to its website, helps Europe play a "strong international leadership role in mitigating climate change").

The Colombian candidate was Mr. Juan Pablo Bonilla, who was appointed Chief Advisor to the Executive Vice President of the Inter-American Development Bank (IDB) in February 2011. Previously, Mr. Bonilla coordinated the IDB's activities related to climate change.

In a closed informal meeting of the Board held on 25 June, the three candidates were presented to the Board members and according to sources, the selection was done the following day via a voting-cum-elimination process.

Business Model Framework

Decisions on the business model framework (BMF) were taken after lengthy and intense debates, with some developing countries taking a cautious approach, with most developed countries wanting swift decisions to operationalise the Fund.

Among the issues addressed on the BMF were the GCF's objectives, results and performance indicators, country ownership, access modalities, financial instruments, the private sector facility (PSF) and the structure and organisation of the Fund.

As regards the private sector facility (PSF), the meeting began with decisions based on a paper by the co-chairs and the Interim Secretariat with many details and options on how to operationalise the facility. The initial proposals, especially the creation of a separate governance structure detached from the GCF, were opposed by several developing countries. Also opposed was the creation of a powerful Private Sector Advisory Group with vast powers of decision-making.

On the last day of the meeting, a decision was taken to set up three structures under the PSF: an Advisory Group to determine the terms of engagement with the private sector; an Investment Committee that will review investment proposals and instruments; and a Risk Management Committee that will enable the Fund to exert due diligence and manage risks prudently.

The membership and terms of reference of these structures are to be discussed at the next Board meeting in September.

During the discussion on the PSF, several developing countries also raised the issue of how the Fund's financial resources would be distributed between the public and private sector and how much will be allocated to the PSF.

This issue has yet to be determined and was not concluded.

Generally, developing countries wanted to ensure funds are channelled in the form of mainly grants and some as concessional lending to and through the public sector. They wanted funds to go to and through the public sector (direct access) rather than having to go through "international intermediaries and international implementing entities" such as the World Bank and other international organisations, with developing countries choosing the appropriate entities themselves.

In fact, the issue of direct access and country ownership were among issues that occupied a significant part of the Board's consideration.

On a related issue on financial instruments, a debate ensued whether to adopt a decision for the Fund to make use of instruments other than grants and concessional lending. The Interim Secretariat's/co-chairs' paper pushed for the use of loan guarantees, equity investments and other instruments. This led to a lengthy discussion on the risks of such instruments, including reputational risks associated with their use.

Eventually, a decision was taken that the Fund would consider the terms and criteria of the grants and concessional lending to be deployed by the Fund for mitigation and adaptation, through accredited national, regional and international intermediaries and implementing entities at its next meeting in September.

However, a decision was also taken under the PSF that the facility will initially focus on grants and concessional lending, and will also draw on a broad range of other financial instruments and modalities to achieve its objectives. What the other instruments and modalities would be was not specified.

On the issue of direct access, the Board decided to consider at its first meeting in 2014, additional modalities that further enhanced direct access (devolution of fund management to the national level), including through funding entities, with a view to enhancing country ownership of projects and programmes.

This issue saw much controversy as the Board member from the United States, Mr. Alexander Severens, could not agree to having enhanced direct access, saying that it was "not logical", given that the GCF had not "experimented with direct access". He said further that this was a "big decision" for the US.

This prompted co-chair Zaheer Fakir (South Africa) to say that if this could not be agreed to, there could be no other decisions on the business model as there was need for balance in the overall BMF decisions. He and other developing country Board members urged the US to be flexible, which eventually led to the final decision being adopted on enhanced direct access.

As regards the issue of country ownership, the Board decision noted that countries may designate a national designated authority (NDA), or mandate a country focal point to interact with the Fund. The NDA/focal point will, among other things, recommend to the Board funding proposals in the context of national climate change strategies and plans and act as the focal point for the Fund's communication.

Another issue which saw an intense exchange during the final hour of the meeting was about who would be the co-chairs for the next meeting of the Board in September, which will be held in Paris. This was because the term of office of the current co-chairs, Zaheer Fakir (South Africa) and Ewen McDonald (Australia), expires on 23 August following a one year tenure.

The Board member from India, Dipak Dasgupta, notified the Board that there was an expression of interest from Asia for the seat of the developing country co-chair. He also said that there would be four new Board members from developing countries replacing some of the current members who will need to make the decision about their nominee.

The Board members from developed and some members from developing countries wanted the current co-chairs to continue their term for another one year, even when the Governing Instrument of the GCF prescribed the duration of the co-chairs to be for only a period of one year.

Following exchanges among Board members and the co-chairs, it was agreed that the current co-chairs will continue to preside over the September meeting, with the election of new co-chairs scheduled for the end of that meeting.

(Further reports on the GCF meeting will follow.)

TWN Info Service on Climate Change (Jul13/02)
3 July 2013
Third World Network

GCF Board debates objectives, results and indicators

Published in SUNS #7618 dated 3 July 2013

Beijing, 2 Jul (Meena Raman) - An intense exchange of views ensued among Board members of the UN Framework Convention on Climate Change's Green Climate Fund (GCF) on the issue of its 'objectives, results and performance indicators' at its fourth meeting in Songdo, South Korea, which met from 25 to 28 June 2013.

Intense exchanges between Board members from developing and developed countries began with strong criticisms of a paper by the co-chairs/Interim Secretariat on the Fund's 'objectives, results and performance indicators'.

Several Board members, especially from China, Egypt, India, and the Democratic Republic of Congo (DRC), expressed concerns over the detailed prescription of result areas in mitigation and adaptation, as well as the performance indicators set out in the paper, saying that they were not in line with a country-driven approach.

They also stressed that some result areas for the Fund (such as mitigation in agriculture) pre-judged on-going negotiations under the UN Framework Convention on Climate Change (UNFCCC).

Several developed country Board members, on the other hand, wanted an initial list of priority result areas and performance indicators to be agreed to during the meeting.

The final decision that was adopted postponed the determination of the initial result areas (which will be considered at its September meeting) of the Fund and the core performance indicators to be employed to measure performance against the objectives of the Fund.

Several developing countries, including China, India and Egypt, also expressed concerns that the 'objectives' of the Fund did not address the mobilisation of resources although this was in the governing instrument of the Fund.

The final decision, which was agreed to, is as follows: "The Board: (a) noted convergence that the Fund will have a strategic focus on climate mitigation and adaptation, and also seeks to maximise sustainable development; (b) reaffirmed that country ownership will be a core principle of the business model framework of the Fund and that countries will identify their priority result areas in line with their national strategies and plans; (c) decided to consider further the initial result areas of the Fund, with an aim to achieve substantial progress at its September 2013 meeting: (d) further decided to consider the core performance indicators to be employed by the Fund to measure performance against the objectives of the Fund and the mitigation and adaptation results to be considered by the Board at its September 2013 meeting; (e) further decided to consider the expected impacts and role of the Fund in the initial result areas at its second meeting in 2014."

The initial draft decision that the Board was supposed to adopt as set out in the paper by the co-chairs/Interim Secretariat, provided detailed options for priority mitigation result areas in order to enable low-emission development pathways; options as cross-sectoral results of the Fund; and options as the priority adaptation result areas of the Fund in order to enable climate-resilient development pathways.

The draft decision also noted convergence on the performance indicators for project and programme outputs for mitigation and adaptation and on the performance indicators for transformative impact of the Fund activities.

The draft decision also requested the Interim Secretariat to prepare a document outlining the core performance indicators to be employed by the Fund to measure performance against the objectives and results as agreed by the Board, and to be considered by the Board at its meeting in September.

It also requested the Interim Secretariat to ensure that the document on the results management framework, which will be considered by the Board at its September meeting, is aligned with the proposed core performance indicators.

Following a strong push back by developing country members, the co-chairs produced a draft decision for the consideration of the Board members which referred to an annex entitled 'initial result areas' that listed 15 areas related to mitigation and adaptation.

The draft decision also referred to performance indicators linked to these initial result areas.

This again led to another round of concerns being raised by developing country Board members which led to the deletion of the annex listing the initial result areas.

Several developed country Board members, in response to the final decision adopted, expressed disappointment and regret that the initial result areas and performance indicators for the Fund could not be agreed to.

Below are some highlights of the exchanges that took place in relation to the paper by the co-chairs/Interim Secretariat (paper).

Dipak Dasgupta (India) said there was no mention in the paper of the scale and mobilisation of resources under the objectives of the Fund and that 'country-ownership' was mentioned minimally.

Omar El-Arini (Egypt) said the paper neglected one of the major objectives of the GCF, which is to "play a key role to channel new, additional, adequate and predictable financial resources."

There is no mention of the need for high scale of resources. The short-term vision and the results sections also do not deal with scale or mobilisation of financial resources. This is a major shortcoming. It gives many details on low-emission development pathways and priority mitigation result areas but there is no mention how these proposed results were formulated, and whether from sources or documents that governments have agreed on. They do not seem to be from UNFCCC agreed documents nor the Intergovernmental Panel on Climate Change (IPCC) agreed summary for policymakers.

The authors of this paper do not have the mandate to set the mitigation priorities for developing countries and nor can the Board adopt these proposed priorities without reference to what has been agreed to under the Convention, said El-Arini.

On performance indicators, El-Arini said the paper proposes a set of several performance indicators for mitigation and adaptation but the indicators and other items for measuring, reporting and verification (MRV) and for biennial update reports of developing countries are being negotiated in the Convention's subsidiary bodies. The adoption of indicators now in the GCF independently without even reference to the processes taking place in the Convention would cause serious problems, as they would in a way supplant or pre-empt those negotiations.

He expressed caution against adopting the draft decision as presented.

Zou Jiayi (China) commented that the paper was very complicated and that she was not in a position to make a decision based on the paper. She said there is need to simplify the approach in relation to performance indicators. The more detailed they are, the less is the ability to get consensus.

Zou said that instead of this, the Board could formulate some simple guidelines for performance indicators and leave the details to the project or programme funding level. Most confusing are the elements of the "transformation" concept, she added, calling for definition of low-carbon development pathways.

She said there were some misleading judgements regarding transformation, as transformational change and country ownership go together and there could not be a trade-off. She added that the performance indicators mentioned overlap with the UNFCCC negotiations and the Board should not pre-judge them.

Jorge Ferrer (Cuba) said the performance indicators were focusing on recipient countries and asked about performance indicators on the delivery of resources and technology transfer. He said this was the approach applied in the area of development assistance, which was repeated here.

Tosi Mpanu-Mpanu (DRC) said a lot of the options on mitigation in the paper did not have any relevance for his country from sub-Saharan Africa. He gave an example of the reference to reduction of emissions from agriculture which is mentioned. This prejudged the outcome of negotiations on this issue. In Africa, when there is a problem of having food security and feeding the hungry, the priority is not about reducing CO2 emissions. In the area of adaptation, it is difficult to come up with one yardstick as regards performance indicators.

Farrukh Khan (Pakistan), referring to calls for making a transformative impact, said the paper limits transformation to the policy level when it should involve three dimensions, which, when pulled together becomes the paradigm shift. The "triple transformation" involves transformation in policies, resource mobilisation and in access modalities with enhanced direct access.

On the issue of indicators in distinct sectors, he said this is linked to country-ownership and could not be top-down. Countries should decide on the level of transformation that they want to achieve. The GCF cannot impose an aggregate emissions reductions target, but needs to provide incentives for transformation at the national level, with a higher level of support to be provided.

Feturi Elisaia (Samoa) said that resources mobilisation is important and needs to be at a scale that can make an impact.

Adriana Soto (Colombia) said the GCF should respond to the priorities identified by recipient countries to strategically focus interventions on low-carbon development and climate resilience.

Manfred Konukiewitz (Germany) said the Fund should have a clear focus; it is not a broad development fund, but needs to keep in view the co-benefits of actions and have synergy with broader sustainable development objectives. All areas of results are important and prioritisation can be done at a later point. The performance indicators mentioned in the paper entailed a lot of technical specifications and there is need for more technical advice. At this point, it is probably too early to make those choices.

Arnaud Buisse (France) raised the question of how the Fund's priorities are articulated with the priorities of developing countries. This is not to prevent the Fund to have some priorities but is about how to bring the two together. In the short-run, progress is measured on a case-by-case basis.

Highlighted below are reactions from several Board members on the draft decision proposed by the co-chairs which referred to an annex of 'initial result areas' (annex) that listed 15 areas related to mitigation and adaptation. The draft decision made no reference to the paper by the co-chairs/Interim Secretariat.

Dipak Dasgupta (India), referring to the annex, said that the areas listed pre-judged on-going negotiations in the UNFCCC. He said developing countries had red-lines, for instance, in agriculture which is a sensitive area.

Similar sentiments were echoed by **Tosi Mpanu-Mpanu (DRC)** who reiterated that the mitigation in the agriculture sector was a sensitive area for the African Group in the light of food security concerns. Other areas mentioned had no relevance for countries from sub-Saharan Africa. Since there could be no convergence on the annex, he asked for it to be deleted, including the relevant decision where this was reflected.

Manfred Konukiewitz (Germany) said that the annex was a good start, as the Fund needs to have a more prescriptive area of 'collective intentions'.

Arnaud Buisse (France) said that there is need for priority or initial result areas which can evolve or be revised to enshrine the idea of the Fund with some priorities.

Anton Hilber (Switzerland) was not happy with the ex-ante prioritisation of the result areas, particularly on the basis of what is presented in the paper. He said there was not enough information to come up with the list of areas, which need to match the interests of the Fund and the recipients. He said the problem was one of sequencing.

Nick Dyer (UK) said that his country was not in a position to discuss contributions (to the Fund) if there is no discussion on the priority areas to be funded and deleting the annex was a step backwards. He suggested reference to an 'initial' or 'indicative' list to start with.

Zou Jiayi (China), in response, said that if there is no convergence on the issue, there is no convergence. This did not mean that members are not willing to discuss result areas or indicators, but at the moment, there was no agreement on the scope of the result areas.

Responding to the UK Board member, she said that it was extremely unproductive to make agreement on the result areas in the annex a pre-condition for meeting financial commitments.

Dipak Dasgupta (India) agreed with China and said that he did not know if the result areas were right. He added that there is also need for a proper assessment of the indicators and this is not merely an academic exercise. He said he needed to further consult with other ministries in India before any decision is reached in this regard.

Rod Hilton (Australia) and Alexander Severens (the US) said that the list of result areas is needed. Severens added that the list may not be perfect and could be refined but it should not be lost as an 'indicative' or 'initial' list.

The US and Australian Board members expressed regret and disappointment that no agreement was possible on an indicative list of result areas. This was also echoed by **Kjetil Lund (Norway).**

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Third World Network

GCF moves forward on Private Sector Facility

Published in SUNS #7619 dated 4 July 2013

Beijing, 3 Jul (Meena Raman) - The recently concluded fourth meeting of the Board of the UNFCCC's Green Climate Fund (GCF) made advances on having a Private Sector Facility (PSF), by agreeing to set up three new structures to determine the terms of engagement with the private sector, exert due diligence and manage risks, as well as to review investment proposals and instruments.

A decision on the PSF was adopted on the final day of the meeting on 28 June in Songdo, South Korea.

There was a 'battle' during the Board meeting on the PSF. Several developing country Board members wanted a more cautious approach in adopting decisions in this regard, while some developed country members preferred quick operationalisation of the PSF.

Several Board members from developing and developed countries were opposed to an option in the co-chairs/Interim Secretariat's paper to have a separate governance structure for the facility, detached from the GCF.

The Indian Board member of the GCF was adamant that there be a careful consideration of risks when deciding on what financial instruments to use and which projects to fund, especially if investment banks and funds are used. This was supported by other Board members.

There was a very lengthy discussion and as a result, the proposal for a totally independent governing structure was defeated. However, the Board decided to set up a Private Sector Advisory Group and an Investment Committee. As a response to India and other Board members, it also decided to set up a Risk Management Committee.

The question now is who will be on the Private Sector Advisory Group (PSAG). The private sector will have 8 representatives (4 from developed and 4 from developing countries) and 4 Board members who are government representatives (2 from developed and 2 from developing countries) and up to 2 civil society representatives.

Hence, the government and the CSO representatives will be in the minority. The terms of reference and criteria for its composition will be determined at the Board's September meeting.

There was also a controversy about whether civil society groups (CSOs) should be represented in the PSAG, with some Board members from developed countries, especially from the United States, Australia and Norway, arguing against CSO participation. They were of the view that CSOs may not have the financial expertise needed.

This was countered by several members from developing countries who were surprised by the stance of developed country members in this regard.

The Board member from the Democratic Republic of Congo (DRC) in particular, expressed surprise over the US response against CSO participation in the PSAG, especially when the US, during the discussions of the Transitional Committee responsible for the design of the GCF, pushed for CSO participation on the grounds of ensuring transparency.

In general, several Board members from developing countries were very concerned that there would be continued big pressure on the part of developed countries to push for big companies and financial institutions to have a big say in the development of the PSF and also in the entire GCF.

Another very pertinent point raised by the Board member from India was about the proportion of funds in the GCF that will go to the PSF and what will go to developing countries. In addition, of the funds that go to the PSF, he was concerned about what proportion of this will go to the international private sector as contrasted with the domestic private sector.

A further concern expressed was about the extent that international private companies will be directed by the developing countries themselves or if these companies would have their own autonomous plans on what and where they will invest in.

During the meeting, some of the developing country Board members raised the issue of the danger that the PSF may become a conduit for subsidisation of international companies; lead to the creation of moral hazard and a source of windfall profits for the private sector.

There was some support generally from the Board members including from developed country members that this was not the purpose of the PSF. However, there was no discussion on how these problems can be prevented and other negative effects be prevented too.

Concerns were also raised by developing country Board members about the credibility and reputation of the GCF which would be affected if the PSF is not well handled. This prompted the creation of a Risk Management Committee.

Several observers from CSOs expressed concerns in the corridors of the meeting as to whether the Board will be able to control and regulate financial instruments and corporate institutions as well as the risks involved, given the financial crisis of the last few years had given rise to many questions as to whether regulation is able to keep pace with financial instruments and activities.

Highlights of the final decision of the Board on the PSF are as follows:

"The Board: decided that the PSF will operate efficiently and effectively under the guidance and authority of the Board as an integral component of the Fund;

"- the PSF will address barriers to private sector investment in adaptation and mitigation activities ; this will include facilitating and enhancing the participation of national, regional and international private sector in developing countries;

"- the PSF will promote the participation of private sector actors in developing countries, in particular local actors, including small and medium sized enterprises and local financial intermediaries;

"- acknowledged the need to mobilise funds at scale from, inter alia, institutional investors, such as pension funds and sovereign wealth funds, and to design modalities to that end;

"- decided that the PSF will seek efficient solutions that minimize market distortions and moral hazard in the use of the Fund's resources by using, inter alia, competitive processes;

"- decided that the PSF will initially focus on grants and concessional lending and will also draw on a broad range of other financial instruments and modalities to achieve its objectives;

"- decided to establish a PSAG that will make recommendations to the Board on Fund-wide engagement with the private sector and modalities to that end;

"- decided that an appropriate risk management framework will be developed, enabling the Fund to exert due diligence and manage its risks prudently. For this purpose, the Board decided to establish a Risk Management Committee;

"- decided to establish an Investment Committee that will review investment proposals and instruments and recommend their approval in accordance with social and environmental safeguards and the Fund's objectives and the risk management framework;

"- decided that the PSF, in accordance with non-objection procedures and in order to ensure consistency with national climate strategies and plans and a country-driven approach: (i) will commence its operations through accredited national, regional and international implementing entities and intermediaries, and (ii) may over time, work directly with private sector adaptation and mitigation actors at the national, regional and international levels, subject to consideration by the Board of a phased approach."

Some highlights of interventions by Board members is set out below in response to the paper on the PSF by the co-chairs/Interim Secretariat as well as the draft decision placed before the Board by the co-chairs.

Dipak Dasgupta (India) said that the paper was "extra-ordinary" given the option for the PSF to have its own governance, which would hire senior management from banks and investment companies, without accountability and even to out-source some of its functions. He questioned what the GCF was getting into.

Zou Jiayi (China) said the PSF cannot operate in an independent way. It has to be completely integrated in the GCF.

Alexander Severens (the United States) said the PSF is inherent to the GCF and it should have the flexibility to have a wide range of financial instruments other than loan and grant instruments. He suggested the need for a credit committee to consider the creditworthiness of proposals. The PSF is an entity within the GCF with the ability to attract capital.

Manfred Konukiewitz (Germany) was also not in support of a separate governance structure for the PSF and wanted it to be integrated in the Fund. It could have features that could be unique to the facility such as a credit committee, an advisory board etc.

He said the limited availability of public funds is not the rationale for private sector involvement. If we want to have the transformation, we need to have different kind of investment decisions by millions of investors in many areas that require private actors to do things differently.

Arnaud Buisse (France) did not support the PSF with a separate governing body. He also supported the creation of an advisory group and a credit committee. He did not want the PSF to subsidise the private sector.

Anton Hilber (Switzerland) said it is not enough to begin with just grants and concessional lending for the PSF and there is need to go beyond them.

Rod Hilton (Australia) said the PSF is a transformational part of the GCF, and was supportive of the facility having its own governing body to which the Board delegates authority. This, he said, was important for the credibility of the Fund on how best to utilise private sector expertise.

Kjetil Lund (Norway) was also in favour of having a separate governance structure for the PSF.

Jorger Ferrer (Cuba) said that consistent with the principle of country-ownership, the GCF needs to be country-driven and not private-sector driven. He was opposed to having a separate governance structure for the PSF.

On the use of the financial instruments, he said the Convention only allows grants and concessional lending and not other financial instruments.

Omar El-Arini (Egypt) said the PSF is meant as an enabling unit or sub-structure within the Fund and there cannot be the creation of another separate fund for the PSF. He said there was no information in the paper on how the PSF is financed or how the funds will flow into the facility.

He was against creating something new that will compete with the public money in the GCF which is yet to come.

Ana Fornells de Frutos (Spain) said that expertise was needed to ensure that the GCF is not subsidising the private sector. The PSF should comply with the objectives of the Fund and must also be open and transparent.

Tosi Mpanu-Mpanu (DRC) did not support a separate governance structure for the PSF and said that it should not be a subsidy scheme for companies from abroad.

Dipak Dasgupta (India) said that risks come in many sizes and shapes. The problem in financial institutions relates to that of governance and no credit committee can take care of this. He asked who was going to bear the risk of dealing with financial instruments and how to prevent moral hazard.

He also raised the issue of the allocation of resources between mitigation and adaptation; between country- driven programmes and international/regional institutions; the allocation to the private sector and within the private sector, the allocation between the small and medium sized enterprises and international corporations.

He stressed the need for strategic discussion in this regard and said there was a deep disquiet "out there" on what the intention of the GCF is.

Alexander Severens (the United States) said that with the PSF, risks in projects can be identified and it could mobilise finance (from institutional investors). It was not about giving subsidies to the private sector. There is also need to do risk analysis.

Jan Cedergren (Sweden) also supported Dasgputa's call in addressing risks as well as to be clear about the terms and conditions of the PSF. Nick Dyer (the United Kingdom) also agreed on the need to address risks.

Per Callesen (Denmark) stressed that risk management was extremely important and there was need to have persons on the Risk Management Committee with substantial knowledge about this matter. An Investment Committee is needed to deal with the issue of how to use or apply a financial instrument, which the Board need not deal with.

The representative from the private sector said that the PSF can be the bridge between the GCF and institutional investors. On the issue of governance, the PSF needs to have credibility and expertise. On the issue of risks in terms of the use of new financial instruments, the private sector needs to have expertise to manage that.

Brandon Wu of ActionAid USA, speaking as a CSO observer, said that the PSF should not have a separate governance structure and that the PSF paper is overly biased towards international capital markets.

He said there is need for an exploration of what private sector interventions can support the efforts of small and medium enterprises in developing countries, taking into account the gender differences in the current access to financing options.

TWN Info Service on Climate Change (Oct13/04)
14 October 2013
Third World Network

Agreement on steps to mobilise resources for Green Climate Fund

Paris, Oct 12 (Meena Raman) – The Board of the Green Climate Fund (GCF) adopted several key decisions to further its operations, including steps to mobilise resources for the Fund in 2014, at its 5th meeting in Paris, France on 7-10 October, 2013.

The Board agreed that it will commence an initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process. It was agreed that the first two meetings of the Board next year, in February and May, will focus on completing the essential requirements for the Fund to receive, manage, programme and disburse financial resources.

No later than three months after the essential requirements for the Fund have been met as decided by the Board, the Secretariat is to make arrangements with all interested contributors, facilitating a collective engagement in the initial resource mobilization process. This will be followed by the first formal replenishment meeting.

There was a tug-of-war between among Board members on the "requirements" to be in place before contributions could be made to the Fund. Agreement was eventually reached on the "essential requirements" (see below for details).

Some developed country members of the Board indicated their willingness to contribute to the GCF, with Germany signalling that initial capitalisation of the Fund needs to be a "serious number with several billion dollars".

Manfred Konukiewitz (Germany) said that there are contributors ready to put money in the Fund when it is ready to receive the money, adding that the first sum of capitalisation needs to be a serious number, with several billion dollars. He added that donors are ready to provide their fair share of funds but there needed to be a fair burden sharing among them. This, he said, was important to Germany and he called on others to also commit to resource mobilisation.

Anton Hilber (Switzerland) also said that his country was ready to contribute its "serious fair share" to the GCF once certain essential requirements were in place. **Henrik Harboe (Norway)** expressed hoped for serious resource mobilization by 2014 and wanted the Fund to be large.

Kwang-Yeol Yoo (South Korea) said that it was contributing USD 1 million this year and another USD 1 million next year, and called on other countries to mobilise resources for the GCF.

The United States however indicated that it had no resources in the 2014 budget for the GCF. **Matthew Kotchen (United States)** said there are no resources in the 2014 budget for this and resources need to be requested now for 2015.

Developing country Board members especially from Zambia, the Democratic Republic of Congo (DRC), Egypt, China, Belize, Brazil and Saudi Arabia called for urgency in resourcing the GCF, and not wait for a "perfect" Fund to be in place.

David Kaluba (Zambia) who represents the Least Developed ountries (LDCs), made an emotive plea, as he struggled to contain tears, sending a strong and powerful message for urgent action. He said that his constituency was in desperate need of funds for adaptation, as people are dying now; time has run out and the desperation is real. He said that it was a moral imperative to ensure a decision that enables the Fund to have serious resources that make a difference. Kaluba called for symmetry in approach in mobilising resources and having the essential requirements for the GCF's operations.

Tosi Mpanu Mpanu (DRC) said he understood Kaluba's emotion. He said that

African countries are eager to see the Fund operational and were worried about the lack of political commitment. Some developed countries had said three years ago that the GCF was the main channel for climate finance but are now asking if the GCF is the best channel. He said there is need to have some number and date for the initial capitalization of the Fund and to ensure no delay tactics.

Liang Ziqian (China) said that the mobilisation of resources is a political decision and called on developed countries to provide the funds as soon as possible. He said that conditions were in place for this and if they waited for the GCF to be a "perfect" institution, it will never be initiated. He stressed the need for specific targets as regards the scale of the resources and that it should be "big-sized" and "meaningful". He wanted the GCF to be the primary operating entity of the climate finance architecture and to be the most prominent environmental Fund. (See below for more interventions from Board members.)

The Board also made other decisions which included agreement on initial areas for its funding and performance indicators at the project and Fund level, readiness and preparatory support, types of financial inputs for the Fund, the way forward on determining allocations, accreditation of entities for access to the Fund and the terms of reference for the Fund's Risk Management Committee, Investment Committee and the Private Sector Advisory Group.

The meeting was co-chaired by Ewen McDonald (Australia) and Zaheer Fakir (South Africa). It also saw, on its final day, the election of two new co-chairs, Jose Maria Clemente Sarte Salceda (Philippines) and Manfred Konukiewitz (Germany). Also present at what was her inaugural meeting of the Board, was Hela Cheikhrouhou, the Executive Director of the GCF.

Resource Mobilisation

On the mobilisation of resources for the Fund, following discussions during an informal reception held on the evening of 7October as well as at the formal Board meeting the following day, it was agreed that:

(a) The Fund's resource mobilization process will commence through an initial resource mobilization process as soon as possible and transition subsequently to a formal replenishment process;

(b) That the first two meetings of the Board in 2014 (to be held in February and May) will prioritize and focus on working towards completing the essential requirements for the Fund to receive, manage, programme and disburse financial resources;

(c) The Secretariat will be requested to make arrangements with all interested contributors, facilitating a collective engagement in the initial resource mobilization process no later than three months after the essential requirements for the Fund to receive, manage, programme and disburse financial resources, have been met as decided by the Board;

(d) The policies, procedures and documents necessary to trigger the first formal replenishment meeting will be decided upon at the first Board meeting following the completion of the process outlined in paragraph (c) above.

The essential requirements for the Fund to receive, manage, programme and disburse financial resources were identified as follows:

(i) An initial Fund structure and Secretariat structure, including administrative policies, best-practice fiduciary principles and standards and environmental and social safeguards;

(ii) The Fund's financial risk management and investment framework;

(iii) Initial results areas, initial core performance indicators and an initial results management framework of the Fund;

(iv) Procedures for accrediting national, regional and international implementing entities and intermediaries;

(v) Policies and procedures for the initial allocation of Fund resources, including results-based approaches;

(vi) Initial proposal approval process, including criteria for programme and project funding;

(vii) Initial modalities for the operation of the Fund's mitigation and adaptation windows and the Private Sector Facility;

(viii) The terms of reference of the Fund's Independent Evaluation Unit, the Independent Integrity Unit and the independent redress mechanism.

The decision was viewed generally as an improvement over the initial draft presented by the Secretariat for consideration which did not have clear timelines for the resource mobilisation process.

Omar El-Arini (Egypt) stressed the need for the process to be simple and strategic. He called for its capitalisation and replenishment and reminded members of the pledges made by developed country leaders in Copenhagen (in 2009 to mobilise USD 100 billion per year by 2020).

Audrey Joy Grant (Belize) said that the developing world was really losing its enthusiasm for the Fund unless something happens. There was need to discuss the minimum threshold to get the Fund started to move forward on funding decisions, and called for funding of readiness activities. She also stressed the need for concrete time-lines, as without that, there would be no urgency.

Sergio Serra (Brazil) stressed the need for a simple decision, which reflects urgency, scale of ambition and political commitment.

Irfa Ampri (Indonesia) said that GCF should be different and not replicate the failures of others climate funds.

Ayman Shasly (Saudi Arabia) reminded Board members that that use of the term "donors" was not appropriate as under the United Nations Framework Convention on Climate Change (UNFCCC), developed countries have an obligation to fulfil their commitments. He said the GCF was not about doing charity. He said further that if developing countries do not get support for their actions, they will not be able to make any commitments under the 2015 agreement which is now under discussion in the UNFCCC. He said developed countries could easily mobilise USD 22 million for the UNFCCC's Climate Technology Centre and Network but that was not the case for the GCF.

Manfred Konukiewitz (Germany) emphasised the need for the Fund to have proper standards to not allow misappropriation. He added, however, that not everything needed to be perfectly in place for mobilisation to happen. He said there should be funding for "readiness" activities.

Anton Hilber (Switzerland) said it was important that all interested contributors are called upon to make the contributions. He stressed the need for certain essential requirements to be in place. On the issue of fiduciary standards, environmental and social safeguards, Hilber was of the view that there was no need to reinvent the wheel but to borrow best practices from other institutions.

Jan Cedergren (Sweden) expressed the need for urgency in getting resources for the GCF, adding that readiness and preparatory support activities could be taken care of immediately. He too stressed the need for fiduciary standards, and environmental and social safeguards to be in place and to learn from the experiences of the Adaptation Fund and the Global Environment Facility (GEF). He added that as regards long-term replenishment of the GCF, efforts need to start immediately, because a replenishment system will take some time.

Rod Hilton (Australia) said that several conditions or incentives needed to be in place before one dollar could flow into the GCF: fiduciary standards and safeguards; policies for accreditation; Secretariat to be in place; and an appropriate risk management procedure. Once money goes through the door, for the good use of money, there is need for results areas, performance indicators and allocation procedures. For scale and transformation to happen, there is need for a very clear pathway on how results will be delivered with the Private Sector Facility, how to leverage private sector finance, and having financial instruments with a lot of flexibility. He said there is also need to accept funding from everyone.

Frederic Glanois (France) also stressed the need to have serious initial pledges because the formal replenishment will take a few years. He shared the view that the list of requirements for the GCF to receive money should not be exhaustive. He cited the initial results areas, results-management framework, the Secretariat structure, fiduciary standards and safeguards and accreditation procedures and core criteria for allocation as being important.

Henrik Harboe (Norway) said that he also shared the need for urgency. He did not expect every requirement to be in place. He said there were a "lot of channels" for climate financing but the ambition should be for the GCF to be the best choice.

Nick Dyer (United Kingdom), while agreeing with Kaluba of Zambia that time was running out did not agree that there were no other options to the GCF. He cited the GEF and the Climate Investment Funds of the World Bank. He said decisions were needed to have assurances for the pledging of resources to the GCF.

Matthew Kotchen (United States) said the GCF is not the only "climate fund out there" but hoped that it would be one of the leading funds. As regards the process for resource mobilisation, he said that specific time-lines with dates are not useful. He said pledging resources is up to the legislative bodies and needed public support.

The active observer representative for civil society organizations from developing countries, who was from the **Third World Network**, also expressed the need for urgency in the mobilisation of resources. She called for an initial capitalisation of at least USD 20-30 billion by 2014, adding that a phased approach could be adopted with grants for readiness support and adaption being a priority for meeting the needs of especially the poor countries. She also said that developed countries could resort to raising money through financial transaction taxes and Special Drawing Rights, stressing that if banks could be bailed out, there was no reason why the poor and the planet could not be saved.

Election of Co-chairs

The election of the Co-chairs was held behind closed doors as it was deemed an 'executive session'. According to official sources, the election of the Co-chair from the developed countries was without problems. However, the election of the developing country Co-chair had some hiccups.

Around lunchtime on Thursday, 10 October, the final day of the meeting, developing country Board members and their alternates met to confirm their candidate. It seems that initially, South Korea was opposed to the Philippines being the candidate, although all the other members from the Asian Group were in support. South Korea apparently wanted Fakir of South Africa to continue as Co-chair, although his tenure of one year had ended. [South Korea (alternate to China) is part of the Asian Group, whose other members include Philippines (India is the alternate), China, and Saudi Arabia (Pakistan is the alternate)].

Following interventions from fellow Asian Group members, South Korea relented and agreed to the Philippines being the developing country Co-chair.

When the developed and developing country members met in their groupings respectively to reaffirm their nominees at around 5 pm the same day, according to official sources, Colombia (who is an alternate member to Ecuador) wanted more time to have further consultations within its region, and indicated that there could be a nominee from the Group of Latin America and the Caribbean (GRULAC) region. Ecuador was not present at the meeting although it was the principal member, and Colombia took its place. Along the corridors of the meeting, the Colombian representative was seen making phone calls.

According to sources, when the official Board meeting convened at around 5.30 pm, Dipak Dasgupta (India) informed members that the Philippines candidate was agreed to by most developing countries, including members from Asia, LDCs, Africa, and some members of GRULAC.

When the presiding Co-chair McDonald asked if there was a consensus over the Philippines and Germany as the Co-chairs, no one expressed objections, leading to the formal election of the new Co-chairs.

(More reports will follow).

TWN Info Service on Climate Change (Oct13/05)
16 October 2013
Third World Network

Board agrees on initial result areas and indicators

Geneva, 16 Oct (Meena Raman) – The Board of the Green Climate Fund (GCF) has reached agreement over the 'initial result areas' of the Fund, its 'performance indicators' and its 'results management framework.'

This was one of the key decisions reached at the 5th meeting of the Board in Paris, which took place on 7 – 10 October, and took more than six hours to reach a compromise.

Various concerns were raised by developing country Board members, especially those from Zambia, the Democratic Republic of Congo, China, Brazil, Egypt and Saudi Arabia over some result areas and indicators initially identified by the GCF Interim Secretariat in two documents prepared for the Board's consideration.

The concerns included issues such as 'agriculture' and 'REDD-plus implementation' (matters relating to reducing emissions from deforestation and forest degradation in developing countries) which are the subject of on-going negotiations under the United Nations Framework Convention on Climate Change (UNFCCC); uncertainty over the scale of financial resources available to undertake and deliver the results indicated; the capacity of developing countries to verify the results and the apparent tension between the Fund's priorities and the priorities of developing countries.

On the issue of agriculture, following intense discussions, in the final decision on the 'initial result areas', the phrase 'sustainable land use management to support mitigation and adaptation' was agreed to in place of 'agriculture and related land use management'.

As regards 'REDD-plus implementation', the Secretariat document had included this issue in the 'initial result areas' of the Fund, with an indicator under 'mitigation' that made reference to 'decrease in rate of deforestation tCO2e [tonnes of CO2 equivalent] reductions from deforestation.'

Norway wanted 'REDD-plus implementation' to be included in the result areas together with initial performance indicators. Brazil, while accepting that 'REDD-plus implementation' should be on the list, it did not want the indicators specified since negotiations in the UNFCCC were on-going. Following informal discussions between the Board members from the two countries, it was agreed that 'REDD-plus implementation' be included in the list of 'initial result areas' but the performance indicators are not to be specified now. This was agreed to by the whole Board.

The 'initial result areas' of the Fund which was agreed to by the Board are as follows:

a. Design and planning of cities to support mitigation and adaptation;

b. Energy efficiency of buildings and appliances;

c. Energy efficiency of industrial processes;

d. Low-emission transport;

e. Low-emission energy access;

f. Small, medium and large-scale low-emission power generation;

g. Sustainable land use management to support mitigation and adaptation;

h. Sustainable forest management to support mitigation and adaptation including afforestation and reduction of forest degradation;

i. REDD+ implementation;

j. Adaptation activities to reduce climate-related vulnerabilities;

k. Selected "flagship" activities cutting across adaptation result areas;

l. Readiness and capacity building for adaptation and mitigation activities;

m. Scaling up of effective community-based adaptation (CBA) actions;

n. Supporting the coordination of public goods such as "knowledge hubs".

Further details of the decision and the indicators are provided below. Highlights of the discussions around the decision are as follows.

David Kaluba (Zambia) emphasised the importance of sustainable development and country ownership in the determination of the result areas and indicators. Following a low carbon and climate resilient pathway will mean looking at a country's current funding to enable it to move away from 'business-as-usual'. It should be the objective of the GCF to promote that.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) agreed that there is need to identify priority areas as to what the Fund should invest in. He expressed concerns in relation to some issues and indicators which were under discussion in the negotiations under the UNFCCC such as nationally appropriate mitigation actions (NAMAs), measuring, reporting and verification (MRV), REDD-plus and agriculture. He also expressed caution over the list of 'initial result areas' becoming prescriptive. Agriculture is a sensitive issue for Africa, as it touches on food security, sustainable development and poverty eradication, said Mpanu-Mpanu. Talking about 'low emissions' in this context did not make sense, he added.

Liang Ziqian (China) suggested that all performance indicators should be project based. He added that any country-wide indicator would be problem, in an apparent reference to the indicator on 'carbon intensity of economy' in the Secretariat document which was later revised to 'carbon intensity of nationally determined sectors' in the decision. He also expressed concerns over the reference to 'agriculture' in the result areas in relation to mitigation and wanted it removed.

Omar El-Arini (Egypt) said that countries define their priorities in line with their national development plans. Looking at the results stated in the Secretariat document, he said there is need for lots of money to achieve these results. There is need to be clear about who defines the results and if there is money to achieve them. In reference to the initial performance indicators, he expressed serious concerns and asked if developing countries would have the capacity to verify the results.

Sergio Serra (Brazil) said that members were operating in a vacuum as there is need to know the magnitude of funding resources available. The results will depend on the amount of money made available. Serra also referred to the Secretariat document on the description of activities related to the 'initial result areas'. He was opposed to reference to 'carbon offsets' as an activity area saying that Brazil is against carbon offsets in relation to deforestation as it relates to questions about their environmental integrity. Serra also had concerns over REDD-plus implementation which was still being discussed in the UNFCCC negotiations, in particular in relation to the performance indicators in this regard.

Ayman Shasly (Saudi Arabia) in response to a comment from Manfred Konukiewitz (Germany) on the harmful effects of fossil fuel subsidies, said that it is the USD 400 billion agriculture subsidies a year that developed countries use, including providing to big food and agriculture corporations that are harmful to the poor in developing countries and are market distorting. Shasly also stressed that in looking at result areas and the criteria, it was important to focus on key areas of sustainable development like providing energy to the poor. He said the 'initial result areas' are important for the Fund at the global level to show impact but also stressed the importance of country ownership. He said further that on some important issues, it was important not to prejudice the negotiations.

Derek Gibbs (Barbados) supported the need for a broad set of objectives and parameters. He said climate change is not waiting for the negotiations (in the UNFCCC), stressing that adaptation is important.

Jose Maria Clemente Sarte Salceda (Philippines) questioned the use of the term 'results management framework' when the

Governing Instrument of the GCF refers to 'results measurement framework'.

Pedro Garcia (Dominican Republic) wanted the 'initial result areas' to be limited to 'small scale low-emissions power generation' and wanted 'large-scale' to be deleted. (As a compromise, the Board agreed to 'small, medium, and large-scale low-emission power generation.)

Manfred Konukiewitz (Germany) said that indicators that refer to policy areas are sensitive for countries. However, there is need to raise awareness about low emission approaches. He cited the example of harmful fossil fuel subsidies that should be eliminated. He said that the GCF cannot ignore the policy environment which can have immediate effect on results and impact. He added that if the policy environment is poor, the impact will be lower. He wanted the GCF to be committed to impacts and a results oriented approach, while recognising national sovereignty to decide on policies. This, he said, is a challenge for the Board.

Beata Jaczewska (Poland) said the GCF sets priorities from the perspective of the institution while countries develop their own strategies. These two processes have to meet and there needs to be an ex-ante and ex-post assessment and more clarification is needed in this regard.

Nick Dyer (United Kingdom) said that whatever is decided is an evolving process. The real test of the GCF is its ability to articulate what it is about. There needs to be consistency with how proposals are assessed and how progress is measured, he added.

Rod Hilton, speaking for Australia and New Zealand said the result areas are critical in defining the sense of purpose of the Fund. He also stressed the importance of country ownership and that the list of result areas was not exhaustive, but needs to be flexible. He added that more work is needed to be done in relation to adaptation.

Jan Cedergren (Sweden) stressed the importance of spelling out country ownership in the decision and to refine the initial result areas and indicators.

Arnaud Buisse (France) said that the Fund should also be able to contribute to the transformation of the economy.

Matthew Kotchen (United States) said that the initial result areas are indicative of where the Fund wants to focus on, adding it is not prescriptive. He said that further work could be done in relation to the indicators for adaptation.

Henrik Harboe (Norway) wanted REDD-plus implementation to be included in the result areas together with initial performance indicators in this regard.

Hela Cheikhrouhou (Executive Director of the GCF) in response said the negotiations cover a lot of sectors and the Fund should work with countries even if the negotiations are happening. She added that the Fund should be able to work on areas delinked from the political level negotiations. She said that any institution trying to make a difference needs to show results. The Fund is to help the country strategies. The Executive Director also said that the result areas are a menu of options, which are not exhaustive. The activities referred to are only examples.

Speaking for the civil society groups, the representative from **Third World Network** said enabling transformative impacts requires large-scale resources. In defining results and performance indicators, it was important for the GCF to link with the various thematic bodies of the UNFCCC like the Adaptation Committee and the Technology Executive Committee.

Brandon Wu (ActionAid, US), also speaking for civil society organisations said that if the GCF is serious about a 'gender-sensitive approach', then having 'gender-disaggregated' data in relation to adaptation is important. He also expressed concerns over support for 'carbon capture and storage projects' in relation to support for negative emissions technologies as a performance indicator.

The Board decision

The main part of the decision adopted is as follows:

(a) The Board noted convergence that the Fund will have a strategic focus on climate change mitigation and adaptation, and also seek to maximize sustainable development;

(b) It reaffirmed that country ownership will be a core principle of the business model framework of the Fund and that countries will identify their priority result areas in line with their national strategies and plans;

(c) It noted convergence that ownership and access to Fund resources could be enhanced by inclusion of indicators capturing country-driven policies that have the potential to promote a paradigm shift towards low-emission and climate-resilient development pathways in the context of sustainable development as set out in the Governing Instrument;

(d) It further noted convergence on key criteria that may be considered through the results management framework when measuring performance of Fund activities, where appropriate, in addition to the core performance indicators, including potential for paradigm shift towards low-emission and climate-resilient development pathways; development co-benefits; environmental co-benefits; potential for replication and scalability; cost-effectiveness; avoidance of lock-in to high-emission, low climate-resilient alternatives; and finance mobilized from non-public sources;

(e) It adopted the initial result areas of the Fund, … as initial areas of funding, in order to enable low-emission and climate-resilient development pathways; (referred to above);

(f) It adopted the initial performance indicators of the Fund, …; (see below for details);

(g) It decided that the Fund's results management framework will:

(i) Enable effective monitoring and evaluation of the outputs, outcomes and impacts of the Funds' investments and portfolio, and the Fund's organizational effectiveness and operational efficiency;

(ii) Include measurable, transparent, effective and efficient indicators and systems to support the Fund's operations, including, inter alia, how the Fund addresses economic, social and environmental development co-benefits and gender sensitivity;

(h) It decided that the Fund, as a continuously learning institution, will maintain the flexibility to refine its results management framework, result areas and performance indicators, based on Fund experience in implementation and monitoring, and as evaluation outcomes become available, and that the lessons learned will feed back into the design, funding criteria and implementation of Fund activities, based on results;

(i) It further decided that the Fund will assess project and programme proposals in each result area using the same impact indicators;

(j) It decided that national and sector-wide indicators will be used only at the discretion of the recipient country;

(k) It decided that in designing a logical framework for results management, the Fund will develop indicators to measure the impact of the Fund on strategic improvements at a country level;

(l) It decided that in designing its results management framework, the Fund will use the experience of other relevant entities, and, where appropriate, align the framework and indicators with existing best practice models;

(m) It requested the Secretariat to develop, for consideration by the Board at its second meeting in 2014, a detailed operational results management framework of the Fund, based on the initial result areas and core performance indicators and key criteria decided upon by the Board…

(n) It further requested the Secretariat to develop additional result areas and indicators for adaptation activities for consideration by the Board at its first meeting in 2014.

Performance indicators for the initial result areas

It was agreed that there be two types of performance indicators – (i) related to project and programme outputs and (ii) and that related to transformative impact of the Fund's activities.

In relation to the 'project and programme outputs', as regards mitigation, the following indicators were agreed to:

(a) tCO_2-eq reduced through improved governance and planning systems for sustainable cities; (b) Reduced emissions from buildings and appliances (tCO_2-eq/m^2); (c) Increased access to transportation with low-carbon transportation options (tCO_2/passenger km); (d) Reduced emission intensity of industrial production (tCO_2-eq/year); (e) Households with access to low-carbon modern technologies (Number of households served by off-grid or clearly identifiable on-grid renewable technologies); (f) Deployment of low-carbon power generation technologies (tCO_2/kWh); (g) Reduced emissions from sustainable land use management (tCO_2-eq/year); (h) Support to development of negative emission technologies

(Number of carbon capture and storage projects, tCO_2 sequestered)

In relation to adaptation, the following indicators were agreed to: (a) Environmental effectiveness: including units of human health (disability-adjusted life years (DALYs)) and units of wealth (US$) saved and enhanced; (b) Cost-effectiveness: US$/DALY and US$ saved; (c) Co-benefits: US$/unit of co-benefit; (d) Institutional feasibility: level of acceptance

On the 'transformative impact of Fund activities' the performance indicators agreed to are as follows: In the case of 'mitigation', (a) Carbon intensity of nationally determined sectors (tCO_2/gross domestic product) and (b) Facilitating the design of sustainable cities (tCO_2/capita)

In relation to 'adaptation', the indicators are: (a) Environmental effectiveness: including units of human health (DALYs) and units of wealth (US$) saved and enhanced; (b) Cost-effectiveness: US$/DALY and $ saved; (c) Co-benefits: US$/unit of co-benefit; (d) Institutional feasibility: level of acceptance.

TWN Info Service on Climate Change (Oct13/06)
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Third World Network

Board agrees on financial inputs, instruments and allocation

Geneva, 17 Oct (Meena Raman) – The Board of the Green Climate Fund (GCF) at its recent 5th meeting in Paris, France, adopted several key decisions including the types of financial inputs that the Fund should receive, the nature of the instruments to be used as disbursements, and the way to allocate the financial resources.

Below are the key parts of the relevant decisions and some highlights of the related discussions.

Financial inputs

On the issue of financial inputs, the main decision of the Board was that "the Fund will receive grants from public and private sources, and paid-in-capital contributions and concessional loans from public sources, and may receive additional types of inputs at a later stage to be decided by the Board".

The Interim Secretariat of the GCF, "when developing the Fund's risk management framework and investment strategy", was also requested "to include the specific risks associated with accepting concessional loans to the Fund, including the risk of cross-subsidization." It was also tasked "to prepare a document for understanding and defining alternative sources of financial inputs to the Fund for consideration by the Board at its second meeting in 2014."

During the discussions prior to the adoption of the decision, various issues were raised. Most Board members adopted a more cautious and conservative approach (at least in the initial phase of the Fund) on the type of financial inputs to be received by the GCF, focusing mainly on grants. However, the United States, Japan and the United Kingdom wanted to expedite going beyond grants and concessional loans to other types of inputs which could involve the private sector.

France and Germany had concerns over the receipt of concessional loans as inputs and wanted consideration of the risks involved in this regard. France and Chile also raised concerns over the receipt of paid-in-capital contributions which could have drawbacks and conditions.

During the discussions, several developing countries including the Democratic Republic of Congo (DRC), Egypt and Zambia stressed the point that the GCF was a 'fund' and not a 'bank'.

The issue of alternative sources of financial inputs was also raised. When some Board members from developed countries proposed that financial inputs be also received from developing countries that are in a position to do so, some developing country Board members reacted strongly saying that it was a commitment of developed countries to do so, under the United Nations Framework Convention on Climate Change (UNFCCC) and the Governing Instrument of the GCF.

Arnaud Buisse (France) said that concessional loans are complicated and have a lot of implications which need to be studied. This, he said, was the experience of the World Bank's International Development Association (IDA) and there is need for risk management. The same, he added, applied to paid-in-capital contributions and he wanted the drawbacks to be addressed.

Manfred Konukiewitz (Germany) said that financial inputs will come from governments and that other than developed countries, it must also come from developing countries that are in a position to do so. While supporting the receipt of grants as inputs, he expressed concerns over the receipt of concessional loans as there are special risks, from his experience.

Matthew Kotchen (United States) said that while grants are important, other financial inputs are also important. The scope needed to move beyond grants and he looked forward to the recommendations of the Private Sector Advisory Group. He added that grants and concessional loans have different risk tolerance and the GCF should address this.

Kentaro Ogata (Japan) wanted the GCF to be open to all types of financial inputs but agreed that for the initial phase, it had to be more conservative. He referred to the need for resources from the private sector in future. He expressed concerns over the issue of 'cross subsidisation' and wanted it addressed under the risk management framework.

Nick Dyer (United Kingdom) could not agree that the GCF will only receive grants, paid-in- contributions and concessional loans in the first 5 to 7 years.

Beata Jaczewska (Poland) said that the Governing Instrument did not forbid voluntary contributions from developing countries.

Rodrigo Rojo (Chile) expressed concerns over the 'paid-in-capital contributions' as an input (where contributors could impose conditions).

Tosi Mpanu-Mpanu (DRC) in response to comments over the need for more financial inputs beyond grants and concessional loans, said that the needs of African countries must be considered in this context, adding that they needed support for adaptation and readiness, which involves grants. He also stressed that the GCF is a 'fund and not a bank' and reminded members that the GCF Governing Instrument states that financial inputs would be received from developed countries to the UNFCCC. He cautioned against the draft decision just stating that 'the Fund may also receive financial inputs from a variety of other sources, public and private, including alternative sources,' which he viewed as 'cherry-picking' of provisions from the Governing Instrument.

Ayman Shasly (Saudi Arabia) wanted more clarity on what are alternative sources for financial inputs that the Fund could receive. He cautioned against the use of aviation levies and other forms which could have adverse impacts on developing countries. He also did not want the draft decision to ignore the commitment of developed countries to provide the financial inputs. He was opposed to developing countries being asked to provide financial inputs.

Omar El-Arini (Egypt) reiterated that the Board had agreed previously to focus initially on grants and concessional loans and reminded members that the GCF is an operating entity of the UNFCCC and there is need for ensuring predictable and sustainable flows of money without conditions being attached. He stressed that the GCF is not a 'bank but a fund'.

Hela Cheikhrouhou (Executive Director of the GCF) in response to interventions from Board members said that the decision proposed is a "conservative option" as both grants and concessional loans are necessary as inputs. She added that mitigation actions would require concessional lending, while for adaptation projects, there needs to be a higher level of concessionality like grants. These are most basic inputs, and are straightforward in managing the liquidity risks.

Financial instruments

As regards the financial instruments to be used by the GCF, the Board adopted, "for the initial operationalization of the Fund, the principles and factors for the terms and conditions of grants and concessional loans". It also requested "the Secretariat to develop terms and conditions of grants and concessional loans for consideration by the Board at its first meeting in 2014" and to also "prepare a document for consideration by the Board at its third meeting in 2014 on the use of other financial instruments."

In the initial draft decision proposed for adoption, the Board was supposed to "adopt the criteria for the terms and conditions of grants and concessional loans". The criteria were not adopted as concerns were expressed by Board members from Germany, the United States, the United Kingdom and France.

Another part of the decision which raised the concern of Zambia related to requesting the "Secretariat to prepare a document for consideration by the Board at its third meeting in 2014 on the use of other financial instruments, including guarantees and equity investments."

Given that the GCF was now focusing on grants and concessional loans, David Kaluba (Zambia) questioned the need to consider "guarantees and equity investments" as further instruments. This then led to deletion of references to these instruments.

Allocation of resources

On the issue of 'allocation' of the resources of the Fund, the main agreement reached by the Board is as follows:

(a) It decided to adopt a theme/activity-based approach to the allocation of resources in order to meet the Fund's objectives;

(b) It decided that the Fund will initially make allocations under adaptation, mitigation and the Private Sector Facility (PSF), and that there will be balance between adaptation and mitigation and the appropriate allocation of resources for other activities;

(c) It decided that, in relation to adaptation, resources will be allocated based on: (i) the ability of a proposed activity to demonstrate its potential to adapt to the impacts of climate change in the context of promoting sustainable development and a paradigm shift; (ii) the urgent and immediate needs of vulnerable countries, in particular LDCs, SIDS and African States;

(d) In relation to mitigation, resources will be allocated based on the ability of a proposed activity to demonstrate its potential to limit and reduce greenhouse gas emissions in the context of promoting a paradigm shift;

(d) In relation to the PSF, resources will be allocated based on the contribution a proposed activity makes towards promoting a paradigm shift and to: (i) Directly and indirectly finance private sector mitigation to limit and reduce greenhouse gas emissions and adaptation to the impacts of climate change activities; (ii) Promoting the participation of private sector actors in developing countries, in particular local actors, including small and medium-sized enterprises and local financial intermediaries, and activities to enable private sector involvement in SIDS and LDCs;

The Board also requested the Secretariat to develop and present to the Board at its second meeting in 2014 "a resource allocation system, … that facilitates: (i) Cross-cutting proposals; (ii) A results-based approach; (iii) A country-driven approach; (iv) A geographically balanced approach; (v) Private sector mitigation and adaptation activities at the national, regional and international levels."

A key issue was over allocations being based on promoting a "paradigm shift". While developed countries stressed the importance of the need for this, developing countries reminded members that in the Governing Instrument of the GCF, the paradigm shift is in the context of sustainable development. Several developing countries also questioned the need to allocate resources to the PSF, which seemed to be placed at the same level of adaptation and mitigation, when the PSF is viewed as an instrument or tool and not an objective in itself.

Highlighted below are some interventions by Board members in relation to the draft decision proposed prior to the adoption of the above decision.

Dipak Dasgupta (India) said if a paradigm shift is intended, then there is need to know what financial resources are available and there is no symmetry in the scale and urgency in this regard. He also questioned the allocation of resources to the PSF when it is an instrument and not an objective. Rationing of resources is going to happen and in the allocation of resources, there must be a guide between what are objectives and instruments. He said these issues should not be brushed under the carpet.

Omar El-Arini (Egypt) stressed the need to quote the Governing Instrument in full, stressing that the paradigm shift that the Fund will promote is in the context of sustainable development. He also did not understand the allocation of resources to the PSF when it is a tool, unlike the allocation of resources to mitigation and adaptation.

Jose Maria Clemente Sarte Salceda (the Philippines) objected to allocation for adaptation based on its ability to demonstrate its potential to adapt to the impacts of climate change. The impacts are ex-post, he said, and should not be required in the case of adaptation. He also proposed a set aside of allocations for sub-national/local governments and civil society organisations/ local communities.

Sergio Serra (Brazil) asked what a paradigm shift means in the context of adaptation. He was concerned that there were different interpretations about this and the context of sustainable development had disappeared (in the earlier version of the proposed decision).

Manfred Konukiewitz (Germany) said it was important to fund the results sought and this required an ex-ante assessment of the contribution to the paradigm shift. What is funded should be sector wide or economy wide and not isolated approaches. It should be applied to mitigation and adaptation and results can be measured. In adaptation, it is more difficult to measure but not impossible, he said. There is need to make assessments on what is best and effective in looking at various proposals. Assessments should be relative to each country.

Nick Dyer (UK) said that there is need to avoid mechanistic approaches, as in the case of other funds where there is inefficiency and resources are tied up. He wanted a simple and straight forward approach. He supported the view that the PSF also needs to be allocated resources.

Matthew Kotchen (US) was unsure about allocations based on a geographical approach. He said more clarity was needed on resources for adaptation and added that set asides are appropriate for the most vulnerable.

Beata Jaczewska (Poland) said that adaptation is a priority. She agreed with Germany on the need to look at the effectiveness of investments in relation to mitigation, encouraging countries for paradigm shift in their development.

Arnaud Buisse (France) also supported allocations for a paradigm shift rather than being activity based. He wanted a simple approach.

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Green Climate Fund to support readiness and preparations

Geneva, 18 Oct (Meena Raman) – The Green Climate Fund (GCF) Board has agreed to provide developing countries resources for ‘readiness and preparatory support’. This was one of the decisions adopted at its 5th meeting in Paris, France that took place on 7-10 October.

The Board also considered and made decisions on the establishment of the independent Secretariat.

Readiness and Preparatory Support

While Board members agreed that it is important to fund readiness and preparatory support, some of them, such as China and Colombia, stressed that this should not be a prerequisite or conditionality for developing countries to access the GCF’s resources. This was also supported by developed country Board members, including Germany and France.

The Board decided that “the Fund will provide readiness and preparatory support to:

(i) enable the preparation of country programmes providing for low-emission, climate-resilient development strategies or plans;

(ii) support and strengthen in-country, Fund-related institutional capacities, including for country coordination and multi-stakeholder consultation mechanisms as it relates to the establishment and operation of national designated authorities (NDAs) and country focal points;

(iii) enable implementing entities and intermediaries to meet the Fund’s fiduciary principles and standards, and environmental and social safeguards, in order to directly access the Fund;

It also noted that (i) the scope of readiness and preparatory support could evolve over time and be tailored to address countries’ specific circumstances; (ii) the importance of readiness and preparatory support for effective private sector engagement, particularly for small- and medium-sized enterprises and local financial intermediaries in developing countries, and activities to enable private sector involvement in small island developing States (SIDS) and least developed countries (LDCs); (iii) readiness and preparatory support could be provided to all eligible countries, and that its allocation would take into account the urgent and immediate needs of developing countries that are particularly vulnerable to the adverse impacts of climate change, including LDCs, SIDS and African States.

The Board also requested the Secretariat “to present to the Board, at its first meeting in 2014, a detailed programme of work relating to the provision of readiness and preparatory support, with relevant timelines and resource needs…”

It further requested the Secretariat to outline a system for determining the allocation of resources, separate from the support provided from the Secretariat’s administrative budget, for readiness and preparatory support, for its consideration at its first meeting in 2014. It further decided that “the urgent need to provide readiness and preparatory support should be reflected in the administrative budget and staffing of the Secretariat and requested the Secretariat to mobilize resources for readiness and preparatory support.”

Liang Ziqian (China) said that ‘readiness’ should not be a prerequisite before countries receive funds as those that are ready should not be held back. He also asked who determines when a country is ready.

Adriana Soto (Colombia) agreed with China that readiness should not become a form of conditionality and did not want it to be a prerequisite as initially proposed in the draft decision (which stated that "readiness and preparatory support …may be a prerequisite for countries to meet the Fund's objectives"). She said that countries are at different stages of readiness, some of them are already very far in planning.

Derek Gibbs (Barbados) reported on a workshop on readiness that took place in Bridgetown, Barbados from 11-12 July 2013, organised by the Caribbean Development Bank and the German GIZ, held in partnership with the GCF and attended by 40 participants. He stressed that readiness and preparatory support should be a strategic priority of the GCF. He also agreed that readiness is not a precondition but it is clear that developing countries must start preparing themselves now.

David Kaluba (Zambia) emphasised the importance of country ownership and the need for proper human resources at the country level.

Tosi Mpanu-Mpanu (Democratic Republic of Congo) said that readiness is an on-going process and will not happen over-night. He thanked Germany for being an early mover in supporting readiness activities. He also called for the provision of "fast start" finance for readiness and preparatory support.

Omar El-Arini (Egypt) said that readiness support should enable the preparation of country programmes providing for low-emission and climate resilient development strategies or plans and should also support and strengthen in-country institutional capacities in relation to the NDAs.

Manfred Konukiewitz (Germany) agreed that readiness should not be a prerequisite, but it should help all countries to adhere to the standards set by the GCF. He said that the German government is in support of readiness activities and the workshop in Barbados was part of that.

Arnaud Buisse (France) was also in agreement that readiness should not be prerequisite for countries. **Henrik Harboe (Norway)** said readiness is of critical importance as a step to get into concrete activities. **Jan Cedergren (Sweden)** said there were many actors in the landscape of 'readiness' who need to be considered, including South-South cooperation.

Establishment of the independent Secretariat

The Board reviewed a document on the 'Initial structure and staffing of the Secretariat' which was proposed by the Executive Director (ED), Hela Cheikhrouhou, and agreed with the proposal. It also authorized the ED to recruit initial staff as was proposed by her.

Several Board members while supporting the ED in general, also raised issues on her proposals. In particular, concerns were raised over the organisational diagram, which presented the adaptation and mitigation windows under one division with one director and four staff, while the Private Sector Facility (PSF) as a separate division with one director and four staff.

Dipak Dasgupta (India) requested clarification on why the PSF had a separate division when the mitigation and adaptation windows were lumped together. He said mitigation and adaption are two very different things and asked why the PSF and the mitigation/adaptation divisions had the same number of staff.

Audrey Joy Grant (Belize) said she was taken aback by the lumping together of adaptation and mitigation windows. She said support for readiness has to be elevated with a separate staff for this and also stressed the need to look at geographical and gender balance in recruiting staff. **Derek Gibbs (Barbados)** expressed similar views.

Ayman Shasly (Saudi Arabia) said that besides having a gender-balance in the staffing, there is need for ensuring regional balance as well. He also said there is need to have a staff person work on public sector resource mobilization. He further wanted a separation between the mitigation and adaptation windows as this would help in terms of accountability.

Omar El-Arini (Egypt) said that ED needed to be empowered to start the Independent Secretariat and hire a core staff with temporary contracts if necessary. She must be able to go to Songdo, South Korea (the host of the GCF) and be there before the end of the year.

Arnaud Buisse (France) said he shared the same concerns as Dasgupta and Grant. Similar views were also expressed by Jozef Buys (Belgium) and Henrik Harboe (Norway).

Manfred Konukiewitz (Germany) stressed the importance of gender balance in the staffing as an objective.

Kentaro Ogata (Japan) said the PSF is a feature quite unique to the GCF and supported a separate wing for the PSF. Matthew Kotchen (US) also stressed the importance of having the PSF as a separate unit as it required different skill-sets for staff.

Hela Cheikhrouhou (ED) said the document prepared for the Board was just an initial structure to get the independent Secretariat going, and that it will evolve. The first two years will be a lot about getting ready for receiving the initial capitalization, raising awareness in the developing countries, work with countries on choosing the NDAs etc. The three divisions (country programming, mitigation/adaptation and PSF) are all geared towards supporting the Fund's readiness. The PSF experts have to work directly and indirectly with governments on how to attract the private sector for jobs.

In response, **Dipak Dasgupta (India)** reiterated that there is a huge difference between mitigation and adaptation and there is a need for ensuring a right balance. He suggested more reflection on the part of the ED in this regard. **Cheikhrouhou** agreed on the need to have a balanced approach.