

Green Climate Fund

Work plan of the Board

GCF/B.01-12/04

3 August 2012

Meeting of the Board

23-25 August 2012

Geneva, Switzerland

Agenda item 6



Recommended decision of the Board

The Board, having reviewed the document GCF/B.01-12/04 *Work plan of the Board* and discussed the elements of business model of the Fund and strategic priorities of the Board, agrees, subject to comments and amendments made at the meeting, to approve the work plan of the Board.

Executive summary

The document presents elements of the business model of the Green Climate Fund as derived from the Governing Instrument. Consistent with the objectives and guiding principles set out in the Governing Instrument, it proposes priorities of the Board in developing its work plan as well as the main outputs in terms of policies and procedures to be elaborated by the Board in implementing its work plan. The document also contains a tentative schedule of Board meetings and matters envisaged to be considered at these meetings.

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Work plan of the Board

I. Introduction

1. The purpose of this document is to lay out the proposed work plan of the Board. The focus of the work plan is on the preparation of operational and administrative policies that follow from the Governing Instrument, which would enable the Board to establish the key parameters for Fund's operations in line with its overall ambition and aims. More detailed guidelines, criteria and procedures will be elaborated in relation to these policies to provide the basis for the operations of the Fund.

II. Elements of business model of the Green Climate Fund

2. The defining features of the Fund are its objective and ambition as laid down in its Governing Instrument. The Fund will promote the paradigm shift towards low-emission and climate-resilient development pathways by providing support to developing countries, striving to maximize the impact of its funding for adaptation and mitigation, and seeking a balance between the two. Its operations will be country-driven and it will promote and strengthen engagement at the country level through effective involvement of relevant institutions and stakeholders. It will operate in a transparent and accountable manner guided by principles of efficiency and effectiveness. The ambition of the Fund is to become the main global fund for climate change finance and to catalyse additional public and private finance at the international and national levels.

3. The Governing Instrument sets out the legal status and core operational structure of the Fund. In order to operate effectively internationally, the Fund will possess juridical personality and will have such legal capacity as is necessary for the exercise of its functions and the protection of its interests. It will provide finance in the form of grants and concessional lending, and through other modalities, instruments or facilities approved by the Board, and through national, regional, and international implementing entities accredited by the Board. The Fund will have thematic funding windows (initially for adaptation and mitigation), which will be used to ensure balance in the allocation of resources between mitigation and adaptation. There will be a distinct private sector facility to enable the Fund to directly and indirectly finance private sector mitigation and adaptation activities at the national, regional and international levels. The Fund will have a Trustee to manage its financial assets and an independent Secretariat to support the day-to-day operations of the Fund.

4. Funding will be at a programmatic scale and based on country programming that draws on national climate change strategies and plans. To ensure effectiveness, efficiency and equity, the Fund will enter into arrangements with its implementing entities to ensure the application of best practice fiduciary standards, environmental and social safeguards, and monitoring and evaluation processes. The Fund will promote coherence in programming at the national level through appropriate mechanisms.

5. The Fund will be scalable and flexible and will be a continuously learning institution. It will promote environmental, social, economic and development co-benefits and take a gender-sensitive approach. It will operate in the context of appropriate arrangements between itself and other existing funds, entities and channels of climate change financing and will draw on appropriate expert and technical advice, including from relevant thematic bodies established under the Convention. The Fund

will also initiate discussions on coherence in climate finance delivery with other relevant multilateral entities¹.

III. Priorities of the Board in developing its work plan

6. The overall goal of the proposed work plan of the Board is to facilitate expeditious operationalization of the Fund by establishing necessary policies and procedures, with funding operations beginning in early 2014. The implementation of this work plan would help to establish the fundamental architecture of the Fund and set the stage for an early and adequate replenishment process. Maintaining the momentum gained in 2011 through the work of the Transitional Committee for the design of the Fund, the Board will build on the outcome of the consultations with Parties and other stakeholders in the preparation of Fund's operational policies and procedures.

7. In light of this broad goal, the timeline of the work plan will be guided by the mandate given to the Board by the Governing Instrument and the Conference of the Parties (COP) to the UNFCCC through its decision 3/CP.17, and will include:

- (a) Agreement on the strategic ambition and initial focus of the Fund early on as a basis for work on the details of operational policies, criteria and guidelines for funding operations, recognizing that, in order to move swiftly towards funding operations, the Board would have to consider several policy issues in parallel;
 - (b) Agreement by the Board on the business model framework and associated key policies, including the accountability framework and related mechanisms, to enable early and adequate resource mobilization to be initiated in 2013;
 - (c) Input to the consideration of the following matters by the COP at its eighteenth session (November–December 2012), as requested by decision 3/CP.17:
 - (i) Decision on the host country of the Fund for endorsement by the COP;
 - (ii) Report addressing policies, programme priorities and eligibility criteria of the Fund for further guidance from the COP;
 - (iii) Arrangements between the COP and the Fund;
 - (d) Establishment of the independent Secretariat in the selected host country with termination of interim arrangements by December 2013.
8. In order to prepare for activities to be funded in developing countries, the Board may also decide to facilitate early support for readiness and technical assistance, initially in collaboration with partner organizations and beginning in 2013 through GCF funds, if appropriate.

IV. Main outputs to be elaborated by the Board

9. The first phase of the work of the Fund is key in laying the foundations for the full operationalization of the Fund. The main six categories of outputs to be elaborated by the Board based on its work plan can be grouped as follows:

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

¹ At COP 17, Parties also decided that the Standing Committee shall assist the Conference of the Parties in exercising its functions with respect to the financial mechanism of the Convention in terms of improving coherence and coordination in the delivery of climate change finance, rationalization of the financial mechanism, mobilization of financial resources and measurement, reporting and verification of the support provided to developing country Parties.

- (b) **Policies on country programming and financial instruments**, which define rules and procedures for programming and approvals, grants, loans and other modalities (e.g. guarantees, equity investments and innovative modes of financing), support for readiness and preparatory activities, technical assistance and other Fund policies;
- (c) **Policies related to the accountability framework and related mechanisms**, which cover the environmental and social safeguards and policies, fiduciary standards and policies, including the rules governing financial management, procurement, disbursement and risk management policies;
- (d) **Management policies**, covering the monitoring and evaluation of operations, results framework, knowledge management and the work of the Independent Evaluation Unit;
- (e) **Policies relating to institutional linkages**, including arrangements with the COP, collaboration with Convention bodies, other climate change and development finance channels and policies relating to outreach and stakeholder engagement;
- (f) **Administrative policies**, including arrangements to establish the independent Secretariat in the host country and arrangements with the Trustee.

V. Meetings of the Board

10. The schedule of Board meetings will be determined by the Board. A tentative schedule of Board meetings in the year 2012 is as follows:

- (a) First Board meeting, 23-25 August 2012, Geneva, Switzerland;
- (b) Second Board meeting, late Oct/early November 2012, Republic of Korea.

11. The third² and fourth Board meetings are planned for the first half of 2013.

VI. Matters to be considered at forthcoming Board meetings

12. The Board, through this work plan, would agree on a broad range of issues to be considered at each Board meeting. The indicative list of matters presented below could be considered by the Board at its forthcoming meetings; this list is subject to changes based on the guidance from the Board at its first meeting. The list indicates when a matter is taken up for the first time by the Board, but does not assume that discussion and decision on the matter would necessarily be concluded at that meeting. Many matters would be addressed initially through consideration of a discussion paper reviewing the main options and would be taken up again at a subsequent meeting for decision-making.

- (a) First Board meeting:
 - (i) Election of Co-Chairs
 - (ii) Arrangement for observer participation in the Board meetings
 - (iii) Additional rules of procedures of the Board
 - (iv) Work plan of the Board
 - (v) Arrangements for the Interim Secretariat, including the appointment of its head
 - (vi) Arrangements for the Interim Trustee
 - (vii) Administrative budget for the Interim Secretariat and the Interim Trustee
 - (viii) Selection of the host country of the Fund

² The Government of Germany invited the Board to hold its third meeting in Berlin. The Government of Namibia expressed its interest in hosting meetings of the Board in 2012 and 2013.

- (b) Second Board meeting:
 - (i) Business model framework of the Fund, including country programming, direct access, private sector engagement
 - (ii) Strategic plan of the Fund, including policies for resource mobilization
 - (iii) Accreditation procedures and standards, including fiduciary standards and environmental and social safeguards, for implementing entities
 - (iv) Arrangements for establishing the independent Secretariat
 - (v) Report to COP 18, including arrangements between the COP and the Fund
- (c) Third Board meeting:
 - (i) Approach to country programming
 - (ii) Modalities for direct access
 - (iii) Arrangements for the private sector facility and related access modalities
 - (iv) Terms and conditions of financing instruments
 - (v) Criteria and guidelines for consideration of funding proposals (projects and programmes)
 - (vi) Policies for monitoring, including a results management framework
- (d) Fourth Board meeting:
 - (i) Policies for evaluation, including the Independent Evaluation Unit
 - (ii) Information disclosure policy
 - (iii) Risk management policy
 - (iv) Audit arrangements
 - (v) Modalities of consultation with the other climate change and development finance delivery channels
 - (vi) Establishment of permanent subcommittees of the Board (Accreditation, Ethics and Audit, Financing, Human Resources and Administration)

13. An indicative plan for the consideration of the main issues is presented in an overview in the Annex. Each meeting will include any matters continued or pending from the previous Board meetings and also include an agenda item on “other business” to allow for additional matters to be raised by the Board members.

VII. Approach to implementation of the work plan

14. The work of the Board will be guided by the principles of efficiency, effectiveness and inclusiveness. Based on such an approach and to expedite the implementation of its work plan, the Board may define more specifically the roles and responsibilities of Co-Chairs and its members in conducting the work during and between the Board meetings.

15. Close involvement of all Board members will be ensured while implementing the work plan. Interactions among Board members between meetings would make use of regular teleconferences and video-conferences as well as other means of communication. Consultations with experts and stakeholders would also be held, as appropriate, to engage them in implementing the work plan.

Annex: Green Climate Fund Board work plan and key milestones

GCF policies and procedures	Tasks from the Governing Instrument and the COP decision	First Board meeting		Second Board meeting		Third Board meeting		Fourth Board meeting		Fifth Board meeting		Sixth Board meeting
Initial organizational matters	Additional rules of procedure of the Board											
	Arrangements for the Interim Secretariat, including the appointment of its head											
	Arrangements for the Interim Trustee											
	Arrangements for observer participation											
	Work plan of the Board											
	Administrative budget of the Interim Secretariat and the Interim Trustee											
	Selection of the host country of the Fund											
Strategic policies	Business model framework (overall institutional model, private sector facility and direct access modalities)											
	Strategic plan of the Fund, including policies for resource mobilization											
Country programming and policies on financial instruments	Approach to country programmes											
	Modalities for direct access											
	Arrangements for private sector facility and related access modalities											
	Criteria and guidelines for considering funding proposals (projects and programmes)											
	Terms and conditions of financing instruments and risk management policies											

GCF policies and procedures	Tasks from the Governing Instrument and the COP decision	First Board meeting		Second Board meeting		Third Board meeting		Fourth Board meeting		Fifth Board meeting		Sixth Board meeting
Accountability framework and related mechanisms	Accreditation procedures and standards, including fiduciary standards and environmental and social safeguards, for implementing entities											
	Redress and fraud investigation mechanisms											
	Information disclosure policy											
	Audit arrangements											
Management policies	Policies for evaluation, including the Independent Evaluation Unit											
	Policies for monitoring, including results management framework											
	Establishment of subcommittees of the Board (Accreditation, Ethics and Audit, Financing, Human Resources and Administration)											
Administrative policies	Appointment of the Executive Director											
	Arrangements for establishing the independent Secretariat											
Policies relating to institutional linkages and coherence	Report to COP 18, including arrangements between the Fund and the COP											
	Collaboration with other climate change and development finance channels											
	Mechanisms for linkages with thematic bodies of the Convention											