

Green Climate Fund

Arrangements for the Interim Trustee

GCF/B.01-12/07

3 August 2012

Meeting of the Board

23-25 August 2012

Geneva, Switzerland

Agenda item 8



Recommended decision of the Board

The Board, having reviewed document GCF/B.01-12/07 *Arrangements for the Interim Trustee*:

- (a) Approves the approach for the Interim Trustee engagement and the scope of services to be provided by the Interim Trustee, as outlined in the document;
- (b) Approves the Standard Provisions annexed to the document that would apply to all contribution agreements between the Interim Trustee and the contributors to the Fund, prior to the recognition of the Fund's juridical personality and legal capacity and the conclusion of the legal arrangement between the Interim Trustee and the Fund; and
- (c) Approves the Transfer Agreement annexed to the document that would govern the arrangement for the transfers of funds by the Interim Trustee to the UNFCCC secretariat in connection with the Interim Secretariat.

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Arrangements for the Interim Trustee

I. Introduction

1. The purpose of this document is to seek approval of the Board on the World Bank's approach to the Interim Trustee engagement and the scope of services the World Bank would be providing in this capacity. The World Bank as the Interim Trustee would reflect this approach in its agreements with Fund contributors and, when applicable, implementing and other entities receiving transfers of Fund resources.

II. Background

2. Decision 3/CP.17 of the Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC) highlights the need to facilitate the immediate functioning of the Green Climate Fund and ensure its independence and requested the Board to operationalize the Fund in an expedited manner. The Governing Instrument¹ contains detailed provisions on the functions of the Board and, in paragraph 26, designates the World Bank to serve as the Interim Trustee for the Fund, subject to a review three years after the operationalization of the Fund.

3. The Governing Instrument outlines the roles and responsibilities of the Trustee in paragraphs 24-25 and 27 as follows:

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

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

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

4. As the specific roles and responsibilities of the Interim Trustee are not described in decision 3/CP.17 or the Governing Instrument, the aforementioned provisions can be understood to apply *mutatis mutandis* also to the Interim Trustee; the roles and responsibilities of the World Bank as the Interim Trustee would therefore be as outlined in the Governing Instrument.

¹ Annexed to decision 3/CP.17 of the seventeenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (UNFCCC document FCCC/CP/2011/9/Add.1, of 15 March 2012).

III. Interim Trustee services

3.1 Overview

5. Decision 3/CP.17 (paragraph 18 (o)) states that the Board will enter into legal and administrative arrangements with the Trustee. This will be possible only when the Fund's juridical personality and legal capacity have been recognized by the host country. In order for the World Bank to receive contributions to the Fund, it will be necessary for the World Bank as the Interim Trustee to enter into agreements directly with the contributors. Such contribution agreements would include Standard Provisions applicable to all such contributions. The proposed Standard Provisions for the Green Climate Fund are attached as Annex 1 to this document.

6. After recognition of the Fund's juridical personality and legal capacity, the Interim Trustee would enter into an agreement with the Fund. That agreement would contain provisions governing the use and administration of the funds and would replace the Standard Provisions. The proposed agreement between the Fund and the Interim Trustee will be submitted to the Board for its consideration and approval in due course.

7. In order to provide the Interim Trustee services to the Fund, the World Bank established a Financial Intermediary Fund (FIF) Trust Fund (the "GCF Trust Fund") to receive, hold and transfer contributions. In accordance with decision 3/CP.17, and consistent with the financial services provided by the World Bank for other FIFs (see Box 1), the Interim Trustee services to be provided to the Fund would include:

- (a) **Contribution management:** Pursuant to the contribution agreements with contributors, the Interim Trustee would receive funds into the GCF Trust Fund and convert such funds into currency or currencies needed for the operation of the Fund.² The initial holding currency of the Fund would be US dollar.

Recognizing the request by the COP for expedited operationalization of the Fund and the fact that financial resources are required with respect to the Interim Secretariat's activities prior to the first meeting of the Board and approval of the Standard Provisions, countries may request the Interim Trustee to enter into contribution agreements with them in the period prior to the Board's approval of the Standard Provisions. The Standard Provisions included in those agreements would be subject to amendment in the event of any changes in the Standard Provisions approved by the Board (and acceptable to the Interim Trustee).

- (b) **Investment management:** The Interim Trustee would invest the undisbursed balances of the GCF Trust Fund, pending the transfer of funds, in accordance with the Interim Trustee's established policies for trust fund management. Investment income would be allocated to the GCF Trust Fund.
- (c) **Commitment recording and cash transfers:** Based on decisions of the Board, the Interim Trustee would make financial commitments against the assets of the GCF Trust Fund, transfer cash from the available resources of the GCF Trust Fund, and record such activities in the Interim Trustee's financial and accounting systems. Until the Fund's juridical personality and legal capacity have been recognized in accordance with

² Acceptance of contributions from entities other than governments of Parties to the UNFCCC would be subject to review by the Interim Trustee and approval by the Board.

decision 3/CP.17 (paragraph 11), the Interim Trustee would enter into transfer agreements with Fund's implementing entities in order to make cash transfers to them. Once the Fund's juridical personality has been recognized, such transfer agreements would be replaced by agreements directly between the Fund and the implementing entities (see section below describing this phased approach). Similarly, until the Fund's juridical personality and legal capacity have been recognized, allocations, commitments and cash transfers for administrative expenses of the Board, the Interim Secretariat, the independent Secretariat and the Interim Trustee would be made in accordance with the Standard Provisions and decisions of the Board. In particular, the Interim Trustee would make available funds from the GCF Trust Fund to the Global Environment Facility (GEF) secretariat and would enter into a transfer agreement with the UNFCCC secretariat to transfer funds from the GCF Trust Fund to the UNFCCC secretariat, for costs associated with their joint responsibilities with respect to the Interim Secretariat. The transfer agreement between the World Bank as the Interim Trustee and the UNFCCC secretariat is attached as Annex 2 to this document, for consideration and approval by the Board.

Recognizing the request by the COP for expedited operationalization of the Fund, in the period prior to the first Board meeting and approval of the administrative budget, the Interim Trustee may make available to the GEF secretariat and transfer to the UNFCCC secretariat funds from the GCF Trust Fund for costs associated with the Interim Secretariat. Fund transfers would be made based upon notifications made jointly by both secretariats to the Interim Trustee, and subject to reconciliation based upon the administrative budget approved by the Board. To enable such fund transfer to the UNFCCC secretariat, the Interim Trustee would enter into a transfer agreement with the UNFCCC secretariat, as attached as Annex 2, and such agreement would be amended in the event of any changes approved by the Board (and acceptable to the Interim Trustee and the UNFCCC secretariat).

- (d) **Accounting and financial reporting:** The Interim Trustee will maintain accounting records and financial data on the GCF Trust Fund and provide financial status reports to the Board. Financial status reports would be prepared on an annual basis, or at any other frequency agreed between the Interim Trustee and the Board. These reports would include information on contributions received, funds held in trust, funding decisions of the Board, investment income earned on undisbursed balances, transfers by the Interim Trustee and availability of funds for allocation and commitment by the Board. The GCF Trust Fund would be included in the World Bank's Single Audit of trust funds, the cost of which would be borne by the World Bank, and the related Single Audit report would be provided to the Board on an annual basis. If the Board also requires a separate, external audit of the Fund's financial statements by the World Bank's external auditors, that would be arranged, with the cost of such audit to be paid from the GCF trust fund. The Interim Trustee services would rely on the World Bank's information technology and financial management systems.

8. In order to be able to discharge its responsibilities towards the Board, the World Bank as the Interim Trustee would be invited to participate in meetings of the Board, as an observer, to address financial matters as they relate to the Fund and to the services of the Interim Trustee. The World Bank would communicate its role as the Interim Trustee to the Fund's stakeholders to ensure clarity with respect to the services provided by the World Bank to the Fund in the limited capacity of the Interim Trustee.

9. In accordance with decision 3/CP.17, the World Bank as the Interim Trustee of the Fund has no role in the funding allocation decision process, nor in preparing, appraising, supervising

or reporting on Fund-financed activities. The World Bank as the Interim Trustee would not be responsible for other activities or functions of the Fund, such as accreditation of implementing entities, establishment or functioning of the Secretariat, overseeing, monitoring or undertaking any other follow-up relating to the use of funds once transferred by the World Bank as the Interim Trustee, reporting on non-financial issues, etc. The contribution and transfer agreements would specify that the World Bank as the Interim Trustee would not be responsible for the use of funds once transferred by it, and would not undertake any action seeking to enforce the return of any misused funds.

3.2 Phased approach

10. The World Bank's services to the Fund as its Interim Trustee would comprise two distinct phases.

(a) *Phase I:* In the first phase, the Interim Trustee would receive contributions into the GCF Trust Fund and make cash transfers to cover the administrative costs of the Fund's start-up and governance. The contribution agreements would authorize the Interim Trustee to transfer funds from the GCF Trust Fund in accordance with Board decisions and the preliminary arrangements to support the Interim Secretariat as described above to:

- (i) UNFCCC secretariat, for costs associated with its role in the Interim Secretariat;
- (ii) GEF secretariat, for costs associated with its role in the Interim Secretariat;
- (iii) Interim Secretariat;
- (iv) Independent Secretariat, once established;
- (v) World Bank as the Interim Trustee, for costs associated with providing the Interim Trustee services.

(b) *Phase II:* In the second phase, the Interim Trustee would also facilitate cash transfers from the GCF Trust Fund to implementing entities for Fund-financed projects and programmes, as approved by the Board, including for readiness and preparatory support as provided in decision 3/CP.17. In accordance with this decision, this phase would commence after the Board has established its operational policies and procedures and has accredited the Fund's implementing entity(ies). The Interim Trustee would make cash transfers to accredited implementing entities based on Board's funding decisions and in accordance with transfer agreements between the Interim Trustee and implementing entity(ies).

11. Once the Fund's juridical personality and capacity to enter into legal agreements have been recognized, the Fund would enter into legal arrangements with the Interim Trustee delineating the World Bank's role as the Interim Trustee consistent with the provisions set forth in decision 3/CP.17 and the Governing Instrument. The form of new legal arrangements with contributors would be discussed and agreed with the Board at that time. The Fund would also enter into legal agreements directly with implementing entities. It is envisaged that transfer agreements between the Interim Trustee and implementing entities would no longer be required at this point, and the Interim Trustee would make cash transfers to such entities solely upon instruction by the Fund.

IV. Cost recovery

12. Consistent with the World Bank's approach to recover its full costs relating to the provision of FIF trustee services, costs would be recovered from contributions and other resources of the GCF Trust Fund, based upon budget estimates presented to the Board at the beginning of the year and subject to end-of-year adjustments based on the costs and expenses of providing the Interim Trustee services during the year.

V. Performance measurement

13. In accordance with decision 3/CP.17, the performance of the World Bank as the Interim Trustee will be reviewed by the Board after three years, prior to the selection of the permanent Trustee. The World Bank's performance in the provision of the Interim Trustee services would also be assessed by the World Bank according to the criteria relevant for the specific functions of the World Bank as the Interim Trustee. Some potential performance criteria and indicators could include:

(a) ***Financial and program management:***

- (i) GCF Trust Fund established as a FIF in a timely manner;
- (ii) contributions processed accurately and efficiently into the GCF Trust Fund;
- (iii) procedures established for recording Board allocations and commitments in a timely and efficient manner;
- (iv) cash transfers made from GCF Trust Fund in accordance with agreements and Board's instructions and guidance;

(b) ***Investment management:***

- (i) undisbursed balances invested according to World Bank policies and procedures for investment management;
- (ii) investment returns consistent with relevant investment benchmarks reflecting the disbursement and risk profile of the Fund;

(c) ***Accounting and reporting:***

- (i) appropriate records and accounts maintained for contributions and other receipts and GCF Trust Fund liabilities;
- (ii) annual audit and financial reports prepared;

(d) ***Legal services:***

- (i) Quality and timeliness of contribution and other agreements prepared for contributors;
- (ii) Quality and timeliness of agreements between the Interim Trustee and implementing entities, the Interim Secretariat, and the Fund, once it possesses juridical personality;

(e) ***Cost effectiveness:***

- (i) Costs contained relevant to level of activity, and competitive with others.

VI. Additional information

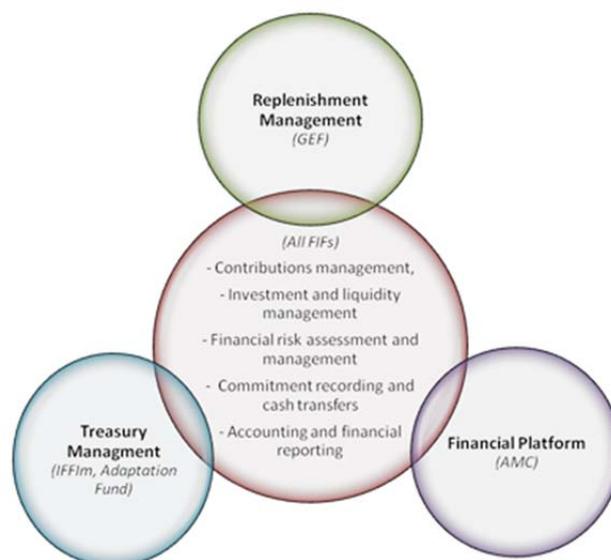
14. A general description of the World Bank’s FIF trusteeship services to other FIFs is contained in Box 1. Additional details on these services and on other FIFs for which the World Bank serves as trustee can be found at <http://www.worldbank.org/fiftrustee>.

Box 1: The World Bank’s trustee services for other FIFs

The World Bank currently serves as trustee for 20 FIFs. As FIF trustee, the World Bank provides a set of financial intermediary services that are delineated in agreements between the World Bank and contributors and/or the governing body for each FIF and implementing entities. They include, but are not limited to, receiving funds, holding funds, investing funds, and transferring them to recipients or other agencies for implementation, as well as providing financial accounting and reporting to FIF governing bodies on financial flows. These core services are illustrated in the centre of the figure below.

Building upon these basic financial management services, the Bank sometimes provides additional trustee services (see figure below); e.g. tracking, forecasting and matching the timing and amount of fund inflows and outflows, therefore contributing to a smooth and predictable funds flow process. The World Bank assumes this type of trusteeship role for the Global Environment Facility (GEF) and Climate Investment Funds (CIFs), where the Bank’s trustee role may involve active participation in replenishments, cash management, and financial modeling.

The World Bank also provides customized financial management services, e.g., bond issuance for FIFs like the International Finance Facility for Immunization (IFFIm), a financial platform for the Advance Market Commitment (AMC) for vaccines against pneumococcal diseases, monetization of carbon credits for the Adaptation Fund, and managing inflows and outflows in the form of concessional loans for the CIFs. Contribution agreements for FIFs can also be customized; e.g., in recently established FIFs such as IFFIm and AMC, contributors have entered into long-term, legally binding, irrevocable contribution agreements.



Annex 1: Standard Provisions applicable to the Green Climate Fund Trust Fund

This Annex 1 (“Standard Provisions”) shall be applicable to and form an integral part of all agreements entered into between the International Bank for Reconstruction and Development (the “Bank”), serving as interim trustee (the “Trustee”) of the Green Climate Fund Trust Fund (the “Trust Fund”), established for the purpose of the Green Climate Fund (the “GCF”), and the contributing countries and/or the other entities (collectively, the “Contributors”) that provide contributions (the aggregate of all contributions from the Contributors, the “Contributions”) to be administered by the Trustee for the Trust Fund.

1. Establishment of the Trust Fund

1.1. The Trustee shall establish the Trust Fund to receive Contributions from the Contributors and shall hold in trust, as legal owner, and administer the funds, assets and receipts that constitute the Trust Fund, to support the activities of the GCF in accordance with the terms of this Agreement. Without prejudice to the foregoing and except as otherwise provided herein, the Trustee shall administer the funds, assets and receipts that constitute the Trust Fund only for the purpose of, and in accordance with, the relevant decisions of the Board of the GCF (the “Board”), and such decisions shall be developed in close consultation with and in the agreement of the Trustee to the extent they relate to the functions of the Trustee performed or to be performed under this Agreement.

2. Administration of the Contributions

2.1. The Trustee shall be responsible only for performing those functions specifically set forth in this Agreement and shall not be subject to any other duties or responsibilities to the Contributors, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law. Nothing in this Agreement shall be considered a waiver of any privileges or immunities of the Bank under its Articles of Agreement or any applicable law, all of which are expressly reserved.

3. Commingling, Exchange and Investment of the Contributions

3.1. The Contributions shall be accounted for as a single trust fund and shall be kept separate and apart from the funds of the Bank. For administrative and investment purposes, the Contributions may be commingled with other trust fund assets maintained by the Bank.

3.2. The Contributions may be freely exchanged by the Trustee into other currencies as may facilitate their disbursement.

3.3. The Trustee shall invest and reinvest the Contributions pending their disbursement in accordance with the Bank’s policies and procedures for the investment of trust funds administered by the Bank. The Trustee shall credit all income from such investment to the Trust Fund to be used for the same purposes as the Contributions.

4. Use of Trust Fund Resources

4.1. The Trustee shall, subject to the availability of applicable resources held in the Trust Fund as determined by the Trustee and to the terms of this Agreement, commit, transfer and/or use the Trust

Fund resources in the amount approved by Board or such person designated in writing by the Board for that purpose (the “Authorized Designee”), for the following purposes:

- (i) financing the administrative costs of the Board, the setting up of the interim secretariat of the GCF, the interim secretariat of the GCF, the independent secretariat of the GCF and the Trustee; and
- (ii) providing resources for readiness and preparatory activities and technical assistance pursuant to paragraph 40 of the Governing Instrument for the Green Climate Fund, as approved by the Conference of Parties to the United Nations Framework Convention on Climate Change (the “UNFCCC”) at its seventeenth session (Decision 3/CP.17) (the “GCF Governing Instrument”) and for other activities to be financed under the GCF.

5. Procedures to Govern the Transfer of Trust Fund Resources

5.1. The Trustee shall, subject to paragraph 4.1 above:

- (i) make available Trust Fund resources in the amount approved by the Board or the Authorized Designee to the secretariat of the Global Environment Facility (the “GEF Secretariat”), for its responsibility with respect to the interim secretariat of the GCF;

- (ii) transfer Trust Fund resources in the amount approved by the Board or the Authorized Designee to the secretariat of the UNFCCC (the “UNFCCC Secretariat”), for its responsibility with respect to the interim secretariat of the GCF;

- (iii) transfer Trust Fund resources in the amount approved by the Board or the Authorized Designee to any entity to be established by the Board as the independent secretariat of the GCF; and/or

- (iv) commit and transfer Trust Fund resources in the amount approved by the Board or the Authorized Designee to any implementing entity accredited by the Board, following the fulfillment of accreditation process and criteria developed by the Board in accordance with paragraph 49 of the GCF Governing Instrument.

For the purpose of this Agreement, the UNFCCC Secretariat, the independent secretariat of the GCF and the implementing entity(ies) described in this paragraph 5.1(ii), (iii) and (iv) shall be collectively referred to as the “Recipients” and each as a “Recipient”.

5.2. Commitment and/or transfer of Trust Fund resources to any Recipient under paragraph 5.1(ii), (iii) or (iv) above shall be made in the manner and procedures as may be agreed between the Trustee and the relevant Recipient.

5.3. (i) Notwithstanding paragraphs 4.1 and 5.1 above, prior to the approval by the Board or the Authorized Designee of the administrative budget to cover the costs associated with the interim secretariat of the GCF for the period from January 1, 2012 to June 30, 2013 (the “Interim Secretariat Budget”), the Trustee may make available to the GEF Secretariat and/or transfer to the UNFCCC Secretariat the Trust Fund resources up to the amount specified in a notification to be submitted to the Trustee jointly by the heads of the UNFCCC Secretariat and the GEF Secretariat, to cover the costs associated with the interim secretariat of the GCF; provided that: (a) the total amounts so requested shall not exceed the amount of the Interim Secretariat Budget proposed to the Board for its approval;

and (b) in the event the Trustee determines that amount of available resources in the Trust Fund will be insufficient to cover the total administrative budget with respect to the interim secretariat of the GCF and the Trustee during the period from January 1, 2012 and June 30, 2013, as proposed to the Board for its approval, the Trustee may make available to the GEF Secretariat and/or transfer to the UNFCCC Secretariat the Trust Fund resources up to the pro rata amount of available resources in the Trust Fund to cover the proposed Interim Secretariat Budget included in such total administrative budget.

(ii) In the event the amount of Interim Secretariat Budget approved by the Board is lower than the total amount of Trust Fund resources the Trustee made available to the GEF Secretariat and transferred to the UNFCCC Secretariat under this paragraph 5.3: (a) the excess amount shall be deducted from the amounts the Trustee would otherwise subsequently make available to the GEF Secretariat and/or transfer to the UNFCCC Secretariat, as applicable; or (b) the Trustee shall notify the GEF Secretariat and/or the UNFCCC Secretariat, as applicable, to return the excess amount to the Trust Fund within thirty (30) days from the Board's approval of the Interim Secretariat Budget to such account as the Trustee may designate.

5.4 Upon the transfer of Trust Fund resources to the GEF Secretariat or any of the Recipients, the Trustee shall have no responsibility for the use by the GEF Secretariat or the Recipients of the Trust Fund resources so transferred to them. The GEF Secretariat and each of the Recipients shall be responsible for the use of the Trust Fund resources transferred by the Trustee and the activities carried out therewith in accordance with the applicable decisions of the Board or the Authorized Designee, including the purpose for which the resources have been approved. The Trustee shall not be involved in any action seeking to enforce the return of any misused Trust Fund resources from any of the Recipients. It is understood that procurement of goods and services for activities financed by the Trust Fund resources transferred to the GEF Secretariat shall be made in accordance with the policies and procedures of the Bank, and procurement of goods and services for activities financed by the Trust Fund resources transferred to the UNFCCC Secretariat shall be made in accordance with the policies of the UNFCCC.

5.5. For the purpose of financing the administrative costs of the Trustee referred to in paragraph 4.1 above, the Trustee shall submit to the Board or the Authorized Designee an annual proposal for administrative budget to cover the full costs of services to be provided by the Trustee in the upcoming fiscal year (and/or the services provided prior to the execution of this Agreement) in connection with the performance of its functions under this Agreement, which shall be paid from the Trust Fund resources. Upon approval by the Board or the Authorized Designee of such a proposal, the Trustee shall transfer the amount to its own account from the Trust Fund resources; provided that, the amount of the resources transferred shall be subject to an end of year adjustment on the basis of full cost recovery for the services provided during the year.

6. Accounting and Financial Reporting

6.1. The Trustee shall maintain separate records and ledger accounts in respect of the Contributions deposited in the Trust Fund account and disbursements made therefrom.

6.2. The Trustee shall furnish to the Board and the Contributors annually (or at any other such frequency agreed between the Trustee and the Board) financial reports of the Trust Fund.

6.3. The Trustee shall provide to the Board and the Contributors, within six (6) months following the end of each Bank fiscal year, an annual single audit report, comprising (i) a management assertion together with an attestation from the Bank's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (ii) a combined financial statement for all cash-based trust funds together with the Bank's external auditor's opinion thereon. The cost of the single audit shall be borne by the Bank.

6.4. If the Board or a Contributor wishes to request, on an exceptional basis, a financial statement audit by the Bank's external auditors of the Trust Fund, the costs of any such audit, including the internal costs of the Bank with respect to such audit, shall be paid by the Trust Fund if the audit was requested by the Board or paid by the requesting Contributor if the audit was requested by the Contributor.

6.5. Subject to paragraph 9 below, the Trustee shall provide to the interim secretariat or the independent secretariat of the GCF, as applicable, information on the financial status of the Trust Fund, including copies of Trust Fund contribution agreements, in a form and frequency to be agreed between the Trustee and the interim secretariat or the independent secretariat of the GCF, as applicable.

7. Amendment

7.1. This Annex 1 may be amended only with the agreement of all Contributors contributing to the Trust Fund, except as provided for under paragraphs 7.2 and 7.3 below.

7.2. Each Contributor acknowledges that the Standard Provisions contained in this Annex 1 are subject to approval by the Board at its first meeting and that this Annex 1 shall be revised to incorporate any changes in the Standard Provisions approved by the Board and agreed by the Trustee. The Trustee shall provide the Contributor any such revised Standard Provisions, and they shall replace this Annex 1 without requiring the Contributor and the Trustee to enter into any amendments to this Agreement.

7.3. Unless the Contributor and the Trustee shall otherwise agree and without prejudice to paragraph 8.1 below, once the GCF's judicial personality and legal capacity has been recognized and the GCF enjoys privileges and immunities related to the discharge and fulfillment of its functions, and the Trustee and the GCF shall have concluded the legal arrangement between them for the Trustee's services as interim trustee of the GCF, each Contributor agrees that the Trustee shall administer its Contribution in accordance with the terms of the legal provisions concluded between the Trustee and the GCF, in which case the Trustee shall provide the Contributor with such legal provisions, and they shall replace this Annex 1 without requiring the Contributor and the Trustee to enter into any amendments to this Agreement.

8. Termination

8.1. Any Contributor may, upon three (3) months' prior written notice to the Trustee, cancel all or part of the Contributor's pro rata share, of any remaining balance of the Contributions that is not committed by the Trustee for the purposes of this Agreement prior to the receipt of such notice.

8.2. The Board may terminate the Bank's role as the interim trustee of the Trust Fund at any time upon three (3) months' prior written notice to the Bank.

8.3 It is envisaged that the Bank will serve as the interim trustee of the Trust Fund for a period of three (3) years after the operationalization of the GCF. In any event, however, the Bank's role as the interim trustee of the Trust Fund shall be automatically terminated on April 30, 2015, unless otherwise agreed between the Board and the Bank.

8.4 Notwithstanding paragraph 8.3 above, the Bank may terminate its role as the interim trustee of the Trust Fund at any time upon three (3) months' prior written notice to the Board.

8.5 Following termination of the Bank's role as the interim trustee of the Trust Fund pursuant to paragraph 8.2, 8.3 or 8.4 above, the Bank shall carry on no business for the Trust Fund except for the purposes of winding up its affairs. The Bank shall, in consultation with the Board to the extent possible, take all necessary action for winding up its affairs in an expeditious manner, and for meeting the commitments already made by the Bank.

9. Disclosure

9.1 The Trustee will disclose this Agreement and related information on this Trust Fund in accordance with the World Bank Policy on Access to Information. By entering into this Agreement, Contributors consent to disclosure of this Agreement and related information on this Trust Fund.

Annex 2: Transfer agreement under the Green Climate Fund Trust Fund (MTO NO. 069022)

This **TRANSFER AGREEMENT** (the “Transfer Agreement”) is entered into between the International Bank for Reconstruction and Development (“Bank”), serving as interim trustee (the “Trustee”) of the Green Climate Fund Trust Fund (MTO No. 069022) (the “Trust Fund”), established for the purpose of the Green Climate Fund (the “GCF”), and the secretariat of the United Nations Framework Convention on Climate Change and its Kyoto Protocol (the “UNFCCC secretariat”), in connection with UNFCCC secretariat’s responsibility to provide support in the setting-up and running of the interim secretariat of the GCF. The Trustee and the UNFCCC secretariat shall be collectively referred to as the “Parties” and each a “Party”.

PREAMBLE:

WHEREAS the GCF has been established following the decision of the Conference of the Parties (the “COP”) to the United Nations Framework Convention on Climate Change (the “UNFCCC”) at its sixteenth session (Decision 1/CP.16);

WHEREAS the COP in Decision 1/CP.16 invited the Bank to serve as the interim trustee for the GCF, subject to a review three years after operationalization of the GCF;

WHEREAS in serving as the interim trustee of the GCF, the Trustee has established the Trust Fund to receive contributions from contributors to the Trust Fund (the “Contributors”);

RECOGNISING the need to facilitate the immediate functioning of the GCF and ensure its independence, the COP in Decision 3/CP.17 requested the UNFCCC secretariat jointly with the Global Environment Facility secretariat (the “GEF Secretariat”) to take necessary administrative steps to set up the interim secretariat of the GCF (the “Interim Secretariat”) as an autonomous unit within the UNFCCC secretariat premises without undue delay so that the Interim Secretariat can provide technical, administrative and logistical support to the governing board of the GCF (the “Board”) until the independent secretariat of the GCF is established;

WHEREAS the COP in Decision 3/CP.17 further decided that the Interim Secretariat shall be fully accountable to the Board and shall function under its guidance and authority, and that its head shall report to the Board;

WHEREAS the COP in Decision 3/CP.17 also decided that interim arrangements should terminate no later than the nineteenth session of the COP; and

WHEREAS the Parties desire to enter into this Transfer Agreement to establish the arrangements for the transfer of the Trust Fund funds from the Trustee to the UNFCCC secretariat and the administration and use of such funds by the UNFCCC secretariat, in connection with UNFCCC secretariat’s responsibility to provide support in the setting-up and running of the Interim Secretariat.

NOW THEREFORE, the Parties hereto agree as follows:

1. Capitalized terms used herein, but not otherwise defined in this Transfer Agreement, shall have the meanings ascribed to them below:

“Allocation” means the amount of the Trust Fund funds to be transferred from the Trustee to the UNFCCC secretariat, as specified in the Funds Transfer Request or a notification described in paragraph 3(a) submitted to the Trustee;

“Authorized Designee” means such person designated in writing by the Board to make decision on the Board’s behalf for the respective purpose;

“Funds” means the Trust Fund funds that the Trustee has transferred to the UNFCCC secretariat pursuant to this Transfer Agreement and any Investment Income earned thereon;

“Funds Transfer Request” means a request from the Interim Secretariat, signed by the heads of the UNFCCC secretariat and the GEF Secretariat or by the head of the Interim Secretariat (once appointed by the Board) or their respective authorized representative(s), to the Trustee, for the Trustee to transfer to the UNFCCC secretariat and/or make available to the GEF Secretariat the portion of the Trust Fund funds approved by the Board or the Authorized Designee for the Interim Secretariat, which shall be substantially in the form attached to this Transfer Agreement as Schedule 1; and

“Investment Income” means the net investment income earned on the Trust Fund funds that the Trustee has transferred to the UNFCCC secretariat pursuant to this Transfer Agreement.

2. Once the Board or the Authorized Designee has approved the Trust Fund funds for the Interim Secretariat, and the Trustee has received a Funds Transfer Request specifying the amount of the Allocation, the Trustee shall transfer the Trust Fund funds to the UNFCCC secretariat in the amount of the Allocation; provided that, the Trustee may transfer Trust Fund funds to the UNFCCC secretariat at a lower amount than the Allocation to the extent: (a) the amount of available funds in the Trust Fund is lower than the amount of the Allocation; or (b) the cumulative amounts of Trust Fund funds specified in the Funds Transfer Requests submitted by the Interim Secretariat to the Trustee exceed the cumulative amounts of Trust Fund funds approved by the Board or the Authorized Designee for the Interim Secretariat.

3. Notwithstanding paragraph 2 above:

(a) prior to the approval by the Board or the Authorized Designee of the administrative budget to cover the costs associated with the Interim Secretariat for the period from January 1, 2012 to June 30, 2013 (the “Interim Secretariat Budget”), the heads of the UNFCCC secretariat and the GEF Secretariat may jointly submit one or more notifications to the Trustee to request the Trustee to transfer to the UNFCCC secretariat and/or make available to the GEF Secretariat the Trust Fund funds to cover the costs associated with the Interim Secretariat. Such notification(s) shall specify the amounts of Trust Fund funds requested for the UNFCCC secretariat and/or the GEF Secretariat, respectively, and shall include a breakdown of the costs and expenses to be covered by the requested funds. The UNFCCC secretariat agrees that the Trustee may provide the notification(s) and information received from the UNFCCC secretariat under this paragraph 3(a) to any of the Contributors and Board members upon request;

(b) upon receipt of a notification mentioned in paragraph 3(a) above, the Trustee shall transfer the Trust Fund funds to the UNFCCC secretariat in the amount of the Allocation; provided that: (i) the Trustee may transfer Trust Fund funds to the UNFCCC secretariat at a lower amount than the Allocation to the extent the total amounts of Trust Fund funds that the Trustee transferred to the UNFCCC secretariat under this paragraph 3(b) and made available to the GEF Secretariat for the same

purpose exceed the amount of the Interim Secretariat Budget proposed to the Board for its approval; or (ii) in the event the Trustee determines that the amount of available funds in the Trust Fund will be insufficient to cover the Interim Secretariat Budget and the administrative budget with respect to the Trustee during the period from January 1, 2012 to June 30, 2013 (the "Total Administrative Budget"), as proposed to the Board for its approval, the Trustee may transfer to the UNFCCC secretariat the Trust Fund funds up to the pro rata amount of available funds in the Trust Fund to cover the proposed Interim Secretariat Budget included in the Total Administrative Budget for the UNFCCC secretariat; and

(c) in the event the amount of Interim Secretariat Budget approved by the Board is lower than the total amount of Trust Fund funds the Trustee transferred to the UNFCCC secretariat under paragraph 3(b) above and made available to the GEF Secretariat for the same purpose: (i) the excess amount transferred to the UNFCCC secretariat shall be deducted from the amounts the Trustee would otherwise transfer to the UNFCCC secretariat pursuant to paragraph 2 above; or (ii) the Trustee shall notify the UNFCCC secretariat to return to the Trust Fund the excess amount transferred to the UNFCCC secretariat within thirty (30) days from the Board's approval of the Interim Secretariat Budget, to such account as the Trustee may designate.

4. The Trustee shall transfer the Trust Fund funds to the UNFCCC secretariat by wire transfer to the bank account specified in the Funds Transfer Request for transfers under paragraph 2 and to the bank account specified in the relevant notification described in paragraph 3(a) for transfers under paragraph 3(b). All transfer of funds under this Transfer Agreement shall be made in United States dollars.

5. Upon the transfer of any Trust Fund funds to the UNFCCC secretariat: (a) the Trustee shall have no responsibility, fiduciary or otherwise, for the use of such funds and the activities financed by such funds; and (b) the UNFCCC secretariat shall be responsible for the use and administration of such funds as well as for the activities financed by such funds, in accordance with the terms of this Transfer Agreement and with: (i) the United Nations and UNFCCC secretariat's rules, regulations, policies and procedures (including those in respect of the procurement of goods and services, fiduciary, financial management, environmental and social safeguards, reporting arrangements and its framework to combat fraud and corruption); and (ii) the applicable decisions of the Board or the Authorized Designee, including the purpose for which the Allocations have been approved for the Interim Secretariat. The UNFCCC secretariat shall report to the Interim Secretariat on the use of the Trust Fund funds, and the activities carried out therewith, for the Interim Secretariat to accordingly report to the Board.

6. The UNFCCC secretariat agrees that the Funds shall be kept in one of its trust funds, but accounted for separately, pending their use for the purposes for which the Trust Fund funds have been approved for the Interim Secretariat by the Board or the Authorized Designee. The Funds in such trust funds may be commingled and may be freely exchanged by the UNFCCC secretariat into other currencies as may facilitate their further disbursement and investment. In the event that the UNFCCC secretariat has provided funding to a third party in a currency other than United States dollars, any exchange rate losses arising as a result of such conversion of currencies may be deducted from the Funds, and shall be reported in the financial report to the Trustee.

7. Subject to the terms of this Transfer Agreement, the UNFCCC secretariat may invest all Funds pending their disbursement in accordance with United Nations and UNFCCC secretariat's policies and procedures concerning the investment of funds including those applicable to funds for which the UNFCCC secretariat acts as a trustee. The UNFCCC secretariat shall not be held liable for any losses, which may arise from such investment save to the extent provided for in paragraph 11 below. Investment Income from the Funds, if any, shall be calculated by the UNFCCC secretariat in accordance

with its policies and practices and returned to the Trustee annually or such other frequency as may be agreed between the Trustee and the UNFCCC secretariat.

8. The UNFCCC secretariat shall: (a) maintain books, records, documents, and other evidence in accordance with the United Nations and its regulations, rules, policies and usual accounting procedures to sufficiently substantiate the use of the Funds; and (b) provide to the Trustee, copies of: (i) annual unaudited financial reports related to the Funds in United States dollars; (ii) a final unaudited financial report and/or statements for the trust funds of the UNFCCC secretariat referred to in paragraph 6 above in United States dollars, as may be requested by the Trustee, within six (6) months after the termination of this Transfer Agreement; provided that if any transfer or disbursement of funds is made by the Trustee or the UNFCCC secretariat, as applicable, following the termination of this Transfer Agreement under paragraph 16 below, and if so requested by the Trustee, the UNFCCC secretariat shall provide to the Trustee a final unaudited financial report and/or statements (and in such a case, the Trustee may agree to such longer period as necessary for submission of those report and/or statements), accounting for any funds transferred and/or disbursed by the Trustee or the UNFCCC secretariat, as applicable, after the termination of this Transfer Agreement; (iii) audited financial statements of the UNFCCC secretariat, conducted under single audit principle for all trust funds of the UNFCCC secretariat, in United States dollars, at the end of each biennium so long as they are relevant to the Funds; and (iv) any other relevant financial information related to the Funds, in United States dollars, as may reasonably be requested by the Trustee. The UNFCCC secretariat agrees that the Trustee may provide the documents and information received from the UNFCCC secretariat under this paragraph 8 to any of the Contributors and Board members upon request.

9. Except as the Trustee shall otherwise agree with the UNFCCC secretariat, unused Funds for which no further disbursements are due to be made shall be returned by the UNFCCC secretariat to the Trust Fund annually or such other frequency agreed between the Trustee and the UNFCCC secretariat, to such account as the Trustee may designate. The UNFCCC secretariat shall maintain a record of any such unused funds and report to the Trustee as part of the financial reports referred to in paragraph 8 above.

10. The Trustee shall be responsible only for performing its functions specifically set forth in this Transfer Agreement and shall not be subject to any other duties or responsibilities, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or a trustee under general principles of trust or fiduciary law.

11. The UNFCCC secretariat shall perform its functions as contemplated in this Transfer Agreement, and in the discharge of such functions, shall exercise the same degree of care as it exercises with respect to: (a) the administration of its own funds or any other funds administered by the UNFCCC secretariat, for which the UNFCCC secretariat acts as trustee; and (b) implementation of activities using such funds. In administering the Funds and performing its functions in accordance with the terms of this Transfer Agreement, the UNFCCC secretariat shall not be liable for any loss, costs, damages or other liability that may result from any act or omission on the part of the UNFCCC secretariat other than those caused by its gross negligence or willful misconduct.

12. Nothing in this Transfer Agreement shall be considered a waiver of any privileges or immunities of the Bank and the UNFCCC secretariat under their respective constituent documents or any applicable law, all of which are expressly reserved. Nothing in this Transfer Agreement shall be considered as an acceptance by the UNFCCC secretariat of the jurisdiction of any national courts or the application of any domestic law.

13. (a) Should the United Nations Board of Auditors during their audit of UNFCCC secretariat make an observation relevant to the Funds in their final audit report, such observation shall be shared by the UNFCCC secretariat with the Trustee. If the observation relates to the misuse and/or

misappropriation of Funds, then the Trustee shall consult the Board and at the instruction of the Board, and in consultation with the UNFCCC secretariat, the Trustee may notify the UNFCCC secretariat to return the misused and/or misappropriated Funds to the Trust Fund and/or suspend transfers of Trust Fund funds to the UNFCCC secretariat.

(b) If a misuse and/or misappropriation of the Funds is carried out by third parties and not caused by the gross negligence or willful misconduct of the UNFCCC secretariat, the UNFCCC secretariat may be requested to use reasonable efforts to recover the amount from third parties and return the Funds to the extent they are recovered by the UNFCCC secretariat, but the UNFCCC secretariat would not be required to return any Funds under dispute which are not so recovered.

14. The UNFCCC secretariat and the Trustee shall use their best efforts to amicably resolve, together with the Interim Secretariat, the independent secretariat of the GCF or the Board, as applicable, any disputes, controversy or claims arising out of or relating to this Transfer Agreement.

15. Unless otherwise agreed between the Trustee and the UNFCCC secretariat, this Transfer Agreement shall be terminated on April 30, 2015, or upon the occurrence of any of the following events prior to such date: (a) the GCF's juridical personality and legal capacity have been recognized and the GCF enjoys privileges and immunities related to the discharge and fulfillment of its functions, and the legal arrangement necessary to govern the transfer of Trust Fund funds to the independent secretariat of the GCF has been concluded; (b) the Interim Secretariat arrangement has been terminated by the COP; (c) the Bank's role as the interim trustee of the Trust Fund has been terminated by the COP; or (d) either Party has submitted three (3) months advance notice to terminate this Transfer Agreement; provided that, provisions of paragraphs 8 and 13 above shall survive the termination of this Transfer Agreement.

16. Following termination of this Transfer Agreement in accordance with paragraph 15 above, the Trustee and the UNFCCC secretariat shall, in consultation with the Interim Secretariat, the independent secretariat of the GCF or the Board, as applicable and to the extent possible, take all necessary actions for winding up their affairs under this Transfer Agreement in an expeditious manner. In the event of any such termination, unless the Parties agree on another course of action: (a) the Trustee shall continue to transfer Trust Fund funds to the UNFCCC secretariat pursuant to the Funds Transfer Requests submitted to the Trustee prior to the termination; (b) any agreement entered into prior to the termination between the UNFCCC secretariat and any consultants and/or other third parties shall remain in effect and be unaffected by the termination; and (c) the UNFCCC secretariat shall continue to disburse the Funds in respect of such agreements to the extent necessary to fulfill the UNFCCC secretariat's obligations thereunder as if this Transfer Agreement had not been terminated. All other uncommitted or unused Funds remaining with the UNFCCC secretariat shall be returned to the Trust Fund.

17. Any communication, notice or request required or permitted to be given or made under this Transfer Agreement shall be made to the authorized person and delivered to the address set forth below, or such other contact details as may be notified in writing by one Party to the other from time to time.

For the Trustee:

Director
Multilateral Trusteeship and Innovative Financing
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Tel: +1 (202) 458-0019
Fax: +1 (202) 614-0249
E-mail: mtotruster@worldbank.org

For the UNFCCC secretariat:

Coordinator
Administrative Services
Climate Change Secretariat
Martin-Luther-King-Strasse 8
53175 Bonn, Germany

Tel: +49 228 815-1049
Fax: +49 228 815-1999
E-mail: kstlouis@unfccc.int

18. The UNFCCC secretariat shall, from time to time, provide the Trustee with a list containing the name(s) and signature(s) of person(s) authorized on behalf of the UNFCCC secretariat to sign the Funds Transfer Requests, in the form attached to this Transfer Agreement as Schedule 2.

19. The Trustee and/or the UNFCCC secretariat and/or the Interim Secretariat will make this Transfer Agreement and any related information on the Trust Fund publicly available in accordance with their policies and procedures with respect to the disclosure of information, in effect at the time of such disclosure.

20. This Transfer Agreement may be amended only by written agreement between the Parties. The Parties acknowledge that this Transfer Agreement is subject to the approval by the Board at its first meeting and that this Transfer Agreement shall be revised to incorporate any changes approved by the Board and agreed by the Parties.

21. This Transfer Agreement may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

22. The Trustee and the UNFCCC secretariat agree that upon receipt by the Trustee of the copy of this Transfer Agreement countersigned by the UNFCCC secretariat, this Transfer Agreement shall become effective as of June 19, 2012.

**INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
SERVING AS INTERIM TRUSTEE OF THE GREEN CLIMATE FUND TRUST FUND**

By: _____

Date: _____

Name:

Title:

**THE SECRETARIAT OF THE UNITED NATIONS FRAMEWORK CONVENTION ON CLIMATE CHANGE
AND ITS KYOTO PROTOCOL**

By: _____

Date: _____

Name:

Title:

SCHEDULE 1
FORM OF FUNDS TRANSFER REQUEST
[on letterhead of the Interim Secretariat of the Green Climate Fund]

THE GREEN CLIMATE FUND TRUST FUND (MTO NO. 069022):
FUNDS TRANSFER REQUEST

Funds Transfer Request No. _____

Funds Transfer Request pursuant to the Transfer Agreement dated _____ between the International Bank for Reconstruction and Development, serving as interim trustee of the Green Climate Fund Trust Fund, and the UNFCCC secretariat, in connection with UNFCCC secretariat's responsibility to provide support in the setting-up and running of the interim secretariat of the Green Climate Fund.

Request as of _____ (date) _____

	Amounts (in US dollars)
GEF Secretariat	0.00
UNFCCC secretariat	0.00

GEF Secretariat's trust fund number for receipt of fund transfer:

Trust fund number:

UNFCCC secretariat's bank account details for receipt of fund transfer:

- Bank account name:
- Bank account number:
- Bank name:
- Bank address:
- Bank SWIFT code:
- Routing instructions:

Signed: _____
Name: _____
Title: _____

Date: _____

Signed: _____
Name: _____
Title: _____

Date: _____

**SCHEDULE 2
FORM OF AUTHORIZED SIGNATORY LETTER**

[DATE]

Director
Multilateral Trusteeship and Innovative Financing Department
The World Bank
1818 H Street, N.W.
Washington, D.C. 20433
U.S.A.

Dear Director:

Re: Green Climate Fund Trust Fund (MTO No. 069022) – Authorized Signatory Letter under the Transfer Agreement between the Trustee and the UNFCCC secretariat

Reference is made to the Transfer Agreement dated _____ between the International Bank for Reconstruction and Development, serving as interim trustee (the “Trustee”) of the Green Climate Fund Trust Fund, and the secretariat of United Nations Framework Convention on Climate Change and its Kyoto Protocol (the “UNFCCC secretariat”), in connection with UNFCCC secretariat’s responsibility to provide support in the setting-up and running of the interim secretariat of the Green Climate Fund (the “Transfer Agreement”).

For the purposes of the Transfer Agreement, any [one/two] of the persons whose authenticated specimen signatures appear below is authorized on behalf of the UNFCCC secretariat to sign the Funds Transfer Requests (as defined in the Transfer Agreement) under the Transfer Agreement.

This authorization replaces and supersedes any authorization currently in the Trustee records with respect to the Transfer Agreement.

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

[Name], [position] Specimen Signature: _____

Yours truly,

**THE SECRETARIAT OF THE UNITED NATIONS FRAMEWORK CONVENTION ON
CLIMATE CHANGE AND ITS KYOTO PROTOCOL**

[Name]
[Position]