

Green Climate Fund

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

GCF/B.02-12/09

11 October 2012

Meeting of the Board

18-20 October 2012

Songdo, Republic of Korea

Agenda item 12

Recommended actions of the Board

It is recommended that the Board:

- (a) Takes note of the *Draft Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change* in Annex II to document GCF/B.02-12/09;
- (b) Adopts the decision contained in Annex I to document GCF/B.02-12/09.

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

Note on the status of the report

The draft report in Annex II is a working draft for consideration by the Board, to be revised to reflect comments from the Board and decisions taken during its second meeting. A more complete draft of this document will be prepared for consideration by the Co-Chairs after the second meeting of the Board.

Annex I: Decision of the Board

The Board:

Requested the Co-Chairs, assisted by the Interim Secretariat, to finalize the *Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change* in Annex II to document GCF/B.02-12/09, taking into consideration the comments and amendments made at the meeting, and forward it to the United Nations Framework Convention on Climate Change (UNFCCC) secretariat.

Annex II: Draft Report of the Green Climate Fund to the Conference of the Parties to the United Nations Framework Convention on Climate Change

I. Introduction

1. The Conference of the Parties (COP) to the United Nations Framework Convention on Climate Change (UNFCCC), at its sixteenth session, decided to establish the Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Convention. The COP further decided that the Fund will be governed by a Board, and serviced by a Trustee and an independent Secretariat (Decision 1/CP.16, paragraphs 102-112).
2. The COP, at its seventeenth session, approved the Governing Instrument for the Fund, and designated the Fund as an operating entity of the financial mechanism of the Convention (Decision 3/CP.17).
3. This document reports on the progress made by the Fund between December 2011 and October 2012.
4. Appendix I to this document sets out the Fund's progress against the guidance received from the COP.

II. Activities of the Fund

5. Since December 2011, the Board has met twice. The first Board meeting was held in Geneva, Switzerland, from 23 to 25 August 2012. The second Board meeting took place in Songdo, Republic of Korea, from 18 to 20 October 2012.

2.1 Election of Co-Chairs of the Board

6. At its first meeting, the Board elected Mr Zaheer Fakir (South Africa) and Mr Ewen McDonald (Australia) as Co-Chairs to serve for the period of one year.

2.2 Additional Rules of Procedure

7. The Board, at its second meeting [*adopted Rules of Procedure relating to x, y and z - text to be completed based on agreements at the second Board meeting*].

2.3 Selection of the host country of the Fund

8. Six expressions of interest to host the Fund were received from Germany, Mexico, Namibia, Poland, Republic of Korea and Switzerland. These six countries presented their offers to the Board at its first meeting. The Board adopted the evaluation criteria and selection process and established the Host Country Evaluation Committee to evaluate the expressions of interest and report back to the Board at its second meeting.
9. The Board, at its second meeting, [*text on agreements from the second Board meeting to be inserted here*].

2.4 Arrangements for the Interim Secretariat, including the appointment of its head

10. In order to move quickly in establishing the Interim Secretariat, the secretariats of the UNFCCC and the Global Environment Facility (GEF) assigned staff either full-time or part-time to work in the Interim Secretariat. The Interim Secretariat began its work in December 2011.
11. The Board requested the Interim Secretariat to continue with the current arrangements as set up by the UNFCCC and GEF secretariats and under the direction of its Co-Chairs. The Interim Secretariat prepared a working document on the establishment of the independent Secretariat.
12. The Board decided to initiate without undue delay the process of selecting the Executive Director of the independent Secretariat and requested the Interim Secretariat to provide the Board with a working document addressing the criteria for, and the process of, the selection of the Executive Director as well as the terms of reference for this position. The Board, at its second meeting, [*text on agreements from the second Board meeting to be inserted here*].

2.5 Arrangements for observer participation in the Board meetings

13. The Board agreed at its first meeting to invite four observers to participate in the meeting and each make a statement on priority issues. At its second meeting, the Board [*text on agreements from the second Board meeting to be inserted here*].

2.6 Work plan of the Board

14. At its second meeting, the Board discussed the work plan of the Board for the period between 1 November 2012 and 31 December 2013 and [*text on decisions from the second Board meeting to be inserted here*].

2.7 Establishment of the independent Secretariat

15. At its second meeting, the Board discussed a document outlining the matters that the Board needs to work on towards establishing the independent Secretariat and [*text on agreements from the second Board meeting to be inserted here*].

2.8 Interim Trustee services

16. The designated Interim Trustee of the Fund, the World Bank, formally accepted the invitation by the COP. The Interim Trustee established the Financial Intermediary Fund (trust fund) for the Green Climate Fund in April 2012 and stands ready to receive contributions from Parties for the Fund's start-up and full operations.
17. At the second Board meeting, the Board agreed on [*the approach for the Interim Trustee engagement and the scope of services to be provided by the Interim Trustee and the Standard Provisions that would apply to all contributions to the Green Climate Fund Trust Fund prior to the recognition of the Fund's juridical personality and legal capacity by the host country of the Fund and the conclusion of the legal arrangements between the Interim Trustee and the Fund. The Board also approved the Transfer Agreement that would govern the arrangements for the transfer of funds by the Interim Trustee to the UNFCCC secretariat in connection with the Interim Secretariat.*]

2.9 Resources in the Green Climate Fund Trust Fund

18. Several Parties have indicated their willingness to contribute to the Fund and some are already in the process of making administrative arrangements for providing funds. As at 30 September 2012, the Interim Trustee had entered into agreements/arrangements with four

Parties for contributions totalling approximately US\$ 3.4 million and had received US\$ 799,000 into the Green Climate Fund Trust Fund. Up to 31 October 2012, it has been possible to finance the administrative costs of the Fund from three sources: 1) resources remaining from contributions made in 2011 to the UNFCCC secretariat in support of the work of the Transitional Committee for the design of the Green Climate Fund, with the consent of the relevant contributors; 2) funds advanced from the GEF secretariat's administrative budget and funds advanced from the Interim Trustee's administrative budget; and 3) contributions to the Green Climate Fund Trust Fund.

19. As at 30 September 2012, cumulative contributions to the Green Climate Fund Trust Fund amounted to US\$ 2.89 million. At this date, funding approvals by the Board at its first meeting with respect to the administrative budgets of the Board, Interim Secretariat and Interim Trustee for the period between 1 January 2012 and 31 October 2012 amounted to US\$ 798,296.

2.10 Administrative budget of the Fund

20. The Board approved at its first meeting the administrative budget to cover the expenditures incurred during the period before 30 June 2012 and the administrative budget for the period between 1 July and 31 October 2012, and at its second meeting [*the administrative budget for the period between 1 November 2012 and 31 December 2013*].

2.11 Operational policies of the Green Climate Fund

21. The Board considered a number of elements of the operational policies of the Fund, including:

[*Further text on decisions from the second Board meeting to be inserted here.*]

Appendix I: Green Climate Fund progress against the guidance received from the COP

Guidance from the COP	Green Climate Fund progress
<i>Requests</i> the Board to operationalize the Fund in an expedited manner [...]	Paragraph 13 of the Governing Instrument stipulates that “two Co-Chairs of the Board will be elected by the Board from within their membership ...”. The Board elected Mr Zaheer Fakir (South Africa) and Mr Ewen McDonald (Australia) as Co-Chairs to serve for the period of one year.
<i>Also requests</i> the Board to develop a transparent no-objection procedure to be conducted through national designated authorities [...] to provide for effective direct and indirect public and private sector financing by the [Fund];	<u>[The item “Mechanisms to ensure country-driven programming of activities and to create linkages with country planning processes” under Programming modalities has been included in the Board’s work plan for the period between 1 November 2012 and 31 December 2013 and will include the consideration of this matter. The underscored section in the above paragraph will be updated based on the Board discussion.]</u>
<i>Requests</i> the Board to balance the allocation of the GCF resources between adaptation and mitigation activities; [...]	<u>[The item “Allocation system” under the Strategic and institutional matters has been included in the Board’s work plan for the period between 1 November 2012 and 31 December 2013 and will include consideration of this matter. The underscored section in the above paragraph will be updated based on the Board discussion.]</u>
<i>[R]equests</i> the Board to establish the necessary policies and procedures, which will enable an early and adequate replenishment process; [...]	<u>[The Board’s work plan for the period between 1 November 2012 and 31 December 2013 covers policies and procedures necessary for the Fund for resource mobilization. Specifically, it includes the following items relating to resource mobilization: “Process, participants, roles, policies and timeframes for initial resource mobilization and subsequent replenishments”, “Policies and procedures for public contributions”, and “Policies and procedures for other contributions, including from innovative sources”. The underscored text above will be updated based on the Board discussion.]</u>
<i>Requests</i> the Board, following the receipt of expressions of interest [for hosting the Fund], to conduct an open and transparent process for the selection of the host country, and to decide on a host country for endorsement by the [COP] at its eighteenth session;	Six expressions of interest to host the Fund were received from Germany, Mexico, Namibia, Poland, Republic of Korea and Switzerland. These six countries presented their offers to the Board at its first meeting. The Board, in accordance with decision 3/CP.17, paragraph 13, adopted the evaluation criteria and selection process and established the Host Country Evaluation Committee to evaluate the expressions of interest and report back to the Board at its next meeting. <u>[The Board, at its second meeting ... (to be completed based on Board decision)].</u>
<i>Also requests</i> the Board and the host country [...] to develop [...] the legal and administrative arrangements for hosting the Fund;	The host country evaluation criteria, approved by the Board for selecting the host country, include legal status, privileges and immunities and administrative arrangements.

<i>Further requests</i> the Board to establish the independent secretariat of the [Fund] in the host country in an expedited manner as soon as possible [...];	In line with decision 3/CP.17, paragraph 15, the Interim Secretariat was also requested to prepare a working document for the next Board meeting on how to address the matters relating to the establishment of the independent Secretariat. The Board, in response to decision 3/CP.17, paragraph 21, agreed to initiate without undue delay the process of selecting the Executive Director of the independent Secretariat and requested the Interim Secretariat to prepare a working document addressing the criteria for, and the process of, the selection of the Executive Director as well as the terms of reference for this position.
<i>Invites</i> the Board to select the trustee of the Green Climate Fund through an open, transparent and competitive bidding process in a timely manner [...];	The World Bank is currently performing the services of the Interim Trustee of the Fund. Unless otherwise agreed between the Board and the World Bank, the Bank's role as the Interim Trustee of the Fund will terminate on 30 April 2015. The selection of the Trustee is not due for three years.
<i>Requests</i> the Board to initiate a process to collaborate with the Adaptation Committee and the Technology Executive Committee, as well as other relevant thematic bodies under the Convention [...]; [...]	The work plan of the Board includes the initiation of a process to address issues related to complementarity and coherence with other funds, entities and channels of climate finance, under Strategic and institutional matters.
<i>[R]equests</i> the UNFCCC secretariat jointly with the Global Environment Facility secretariat to take the necessary administrative steps to set up the interim secretariat of the [Fund] as an autonomous unit within the UNFCCC secretariat premises without undue delay after [COP 17] [...]; [...]	In response to decision 3/CP.17, paragraph 18, the UNFCCC and GEF secretariats took the necessary administrative steps to set up the Interim Secretariat of the Fund as an autonomous unit within the UNFCCC secretariat premises. The Interim Secretariat was requested to provide technical, administrative and logistical support to the Board until the independent Secretariat is established. The Board requested the Interim Secretariat to continue with the current arrangements as set up by the UNFCCC and GEF secretariats and under the direction of its Co-Chairs.
<i>Urges</i> the Board to move promptly to appoint the head of the interim secretariat; [...]	At its meeting in Geneva, Switzerland, on 23-25 August 2012, the Board considered the matter of the selection of the head of the interim Secretariat, and, cognizant of timing issues, decided that the Interim Secretariat would continue under the current arrangements. The Board agreed to initiate without undue delay the process of selecting the Executive Director of the independent Secretariat and requested the Interim Secretariat to prepare a working document addressing the criteria for, and the process of, selection of the Executive Director as well as the terms of reference for this position.
<i>Requests</i> the interim secretariat to make arrangements for convening the first Board meeting by 30 April 2012 [...].	Since December 2011, the Board met twice. The first GCF Board meeting was held in Geneva, Switzerland, from 23 to 25 August 2012. The second meeting of the Board took place in Songdo, Republic of Korea, from 18 to 20 October 2012.

[Interim Trustee] decision 1/CP.16, paragraph 107

The designated Interim Trustee, the World Bank, formally accepted the invitation by the COP.

The Interim Trustee established the Financial Intermediary Fund (trust fund) for the Green Climate Fund in April 2012 and stands ready to receive contributions from Parties for the Fund's start-up and full operations.
