

Green Climate Fund

Report of the Second Meeting
of the Board,
18-20 October 2012

GCF/B.02-12/13

14 March 2013

Meeting of the Board

18-20 October 2012

Songdo, Republic of Korea

Agenda item 15

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Report of the Second Meeting of the Board, 18-20 October 2012

I. Agenda item 1: Opening of the meeting

1. The meeting was opened by the Co-Chairs on 18 October 2012. On behalf of the Board, they thanked the Government of the Republic of Korea for its generous hospitality in hosting the meeting.

II. Agenda item 2: Adoption of the agenda and organization of work

2. The Board adopted the agenda as set forth in document GCF/B.02-12/01 (Provisional Agenda), amended as follows:

1. Opening of the meeting
2. Adoption of the agenda and organization of work
3. Adoption of the report of the first meeting
4. Report on activities of the Co-Chairs and the Interim Secretariat
5. Additional rules of procedure of the Board
6. Work plan and priorities of the Board
7. Selection of the host country of the Fund
8. Arrangements for the Interim Trustee
9. Status of resources and administrative budget of the Interim Secretariat and the Interim Trustee
10. Arrangements for establishing the independent Secretariat, including the selection of the Executive Director
11. Arrangements between the Conference of the Parties and the Fund
12. Report to the Conference of the Parties
13. Logo of the Green Climate Fund
14. Other business
15. Report of the meeting
16. Closure of the meeting

3. At the proposal of the Co-Chairs, the Board agreed to provisionally invite four active observers into the meeting room.

III. Agenda item 3: Adoption of the report of the first meeting

4. The Co-Chairs drew the attention of the Board to the draft report of the first Board meeting (contained in Annex II of document GCF/02-12/11 (Report of the First Meeting of the Board, 23-25 August 2012)). Matters raised during the discussion of this agenda item included: circulation of submissions by Board members to other Board members, using a format of report that is unique to the Green Climate Fund, numbering and serialization of documents and decisions and the need to reflect in more detail the essence of Board discussions, particularly in the first years of the Board's work.

5. Board members proposed a number of amendments to the draft report, namely: deletion of the list of documents, addition of an annex with the list of Board members and alternate members who participated in the meeting and a change in the wording of a decision.

6. The Board adopted the following decision:

DECISION B.02-12/01

The Board:

- (a) *Approved the report of the first meeting of the Board as contained in Annex II to document GCF/B.02-12/11, with amendments (subsequently issued as document GCF/B.01-12/10);*
- (b) *Agreed to publish the report of the first meeting of the Board on the Green Climate Fund website.*

IV. Agenda item 4: Report on activities of the Co-Chairs and the Interim Secretariat

7. The Co-Chairs presented an oral report on their activities. They reported that their activities in the period between the two Board meetings concentrated on matters relating to the work of the Host Country Evaluation Committee, preparation of documents for the second Board meeting and communication with Board members. They emphasized that the priorities for this meeting were the selection of the host country of the Fund, the work plan of the Board, the administrative budget of the Fund, Additional Rules of Procedure and the Executive Director selection process.

8. A representative of the Interim Secretariat introduced document GCF/B.02-12/10 (Report on Activities of the Interim Secretariat). During the Board's consideration of this document, a number of questions and comments were made, including: consultations with the Interim Trustee during the preparation of Board documents, the extent of involvement of the staff of the Global Environment Facility (GEF) secretariat in the work of the Interim Secretariat, and the need for the Interim Secretariat to monitor the media coverage of the activities of the Fund to promote factual accuracy. The representative of the Interim Secretariat responded to the questions raised.

9. On the matter of the involvement of the Interim Trustee in the preparation of documents, the Co-Chairs concluded, and requested the Interim Secretariat to take note, that the Interim Trustee should be consulted only on documents bearing on the Interim Trustee's role in the Fund. They also concluded that the question of GEF secretariat staff involvement should be revisited in the context of the administrative budget and that media engagement should be considered as part of the comprehensive communication strategy of the Fund. The Interim Secretariat was also instructed to circulate written comments provided by some members to the entire Board.

10. The Board took note of the information provided by the Co-Chairs and of document GCF/B.02-12/10, covering the activities of the Interim Secretariat undertaken in September 2012, between the first and second meetings of the Board.

V. Agenda item 5: Additional rules of procedure of the Board

11. A representative of the Interim Secretariat introduced document GCF/B.02-12/02 (Additional Rules of Procedure of the Board).

12. The Board discussion focused on the proposed Additional Rules of Procedure relating to: election and duties of the Co-Chairs (Annex III of document GCF/B.02-12/02), Board meetings (Annex IV of document GCF/B.02-12/02) and observer participation in Board meetings (Annex V of document GCF/B.02-12/02, with Appendix).

13. Board members requested that they be provided with copies of all submissions made by Board members after the first Board meeting. The Co-Chairs requested the Interim Secretariat to provide copies of these submissions to the Board.

14. Board members proposed a number of detailed textual amendments to various paragraphs of Annexes III, IV and V.

15. The Board approved the rule set out in paragraph 3 of Annex III of document GCF/B.02-12/02 (Additional Rules of Procedure relating to the Co-Chairs) that allows each Co-Chair the option for his or her alternate member to participate in the deliberations of the Board with the right to vote retained by each Co-Chair. The Board decided that this rule should come into effect immediately.

16. The Board requested the incorporation in paragraph 2 of Annex III of provisions on measures to be taken if a Co-Chair is unable to attend part of a Board meeting.

17. The Board sought clarification on paragraph 6 of Annex III which provides that the "Co-Chairs will rule on points of order, subject to a final determination regarding any such ruling by the Board, which may be requested by each Board member."

18. In relation to paragraph 8 of Annex III, the Board discussed whether this provision should be deleted or amended to provide Co-Chairs maximum flexibility in appointing another Board member or senior staff member of the Secretariat to represent them at external meetings.

19. In relation to Annex IV of document GCF/B.02-12/02 (Additional Rules of Procedure relating to meetings), the Board discussed possible changes to several paragraphs (1, 4, 6, 10, 13, 14 and 22).

20. Some Board members emphasized the need for funding of the participation of advisers from eligible developing countries. A proposal was made to fund one adviser per eligible developing country. A request was also made that flexibility should be provided in allowing more than one adviser per member and alternate member to be present in the Board meeting room in the case of multi-country Board seats.

21. Several Board members expressed the view that the working language of the Fund is English but provided varied opinions relating to interpretation of Board proceedings and translation of Board documents. Some Board members highlighted the need to facilitate the participation of Board members by providing interpretation of Board proceedings on an individual needs basis. Board members expressed various views on the benefits of translating all or a number of pre-agreed documents into the six United Nations languages. Several Board members stressed the need for the Board to be cost-conscious when considering the matter of interpretation and translation. Different views were also expressed regarding the benefits of webcasting Board meetings.

22. Several Board members proposed that Board documents that do not deal with sensitive or confidential matters should be posted on the website of the Fund in advance of Board meetings. Several Board members also requested that Board members' comments and submissions on Board documents and matters being considered by the Board be circulated to all Board members.

23. In relation to Annex V of document GCF/B.02-12/02 (Additional Rules of Procedure relating to observer participation in meetings), the Board discussed the process to select the four active observers, as well as the accreditation of observers. There was a broad agreement on the need to ensure transparency and involve active observers in the Board's activities. There was also an agreement that funding for active observers should not go beyond funding travel and daily subsistence allowance. Different opinions were expressed on whether active observers should be sitting at the same table as Board members or at a separate table.

24. The Board also discussed the process of, and criteria for, the accreditation of observers (Appendix to Annex V of document GCF/B.02-12/02). It was proposed that provisional accreditation of accredited United Nations Framework Convention on Climate Change (UNFCCC) and GEF observers, as had been applied for the first meetings of the Board, be extended until the Board approves its own accreditation process. It was also proposed that the Board could invite additional observers beyond the four active observers to participate in its meetings, as appropriate. It was suggested that the discussion on the role of observers should also consider the contribution observers can make towards the activities of the Fund. On the process for selection of active observers, there was a general understanding that civil society and private sector organizations would decide themselves who would represent their constituencies as active observers. The matter of participation of state observers was also raised.

25. One Board member proposed the Board should adopt the Governing Instrument as part of the Additional Rules of Procedure and requested that his statement be included in the meeting report. Another Board member expressed his disagreement, pointing out that this would constitute a precedent.

26. Three active observers made statements to the Board on this agenda item. A representative of the International Emissions Trading Association (a private sector organization) referred to the joint submission of private sector organizations to the Board, outlining proposals such as a self-selection process for private sector active observers and their alternates, the possibility of requesting technical expertise on an as-needed basis, access to documents, provision of input during Board meetings and the need for dedicated personnel in the Secretariat to manage private sector-related matters.

27. A representative from Oxfam (a civil society organization) stressed the benefits of involving active civil society observers in the work of the Board and their commitment to the success of the Fund. He emphasized the need for active observers to be able to intervene on all agenda items, propose agenda items, sit at the Board table, have advisers, participate in the work of subsidiary bodies, working groups and subcommittees of the Board, have sufficient financial resources and support for the self-selection process and the importance of transparency, including webcasting Board meetings.

28. A representative of the International Indigenous Peoples' Forum on Climate Change (a civil society organization) made a request for a separate active observer from indigenous peoples' organizations.

29. The Co-Chairs requested a team of Board members, comprising Mr. Per Callesen, Mr. Dipak Dasgupta, Mr. Omar El-Arini, Ms. Beata Jaczewska, Mr. Gilbert Metcalf and Mr. George Zedginidze to undertake deliberations on the Additional Rules of Procedure considered in document GCF/B.02-12/02, with the aim of reaching consensus amongst the team and reporting back to the Board.

30. Mr. Farrukh Khan, on behalf of Mr. Dipak Dasgupta, subsequently reported to the Board on the deliberations of the team. He reported that good progress was made in relation to all three annexes considered and proposed the revised text of Annex V for adoption. As there was no consensus on this matter, the item was deferred to the next Board meeting and the Board agreed to request the team to continue working intersessionally.

31. The Board adopted the following decision:

DECISION B.02-12/02

The Board:

- (a) *Approved paragraph 3 of Annex III (Additional Rules of Procedure relating to the Co-Chairs) to document GCF/B.02-12/02;*
- (b) *Decided, in accordance with the recommendations from the team on Additional Rules of Procedure, to organize a meeting of the team to continue their work one day prior to the third Board meeting.*

32. Paragraph 3 of Annex III (Additional Rules of Procedure relating to the Co-Chairs) to document GCF/B.02-12/02 is reproduced in Annex VIII to this report.

VI. Agenda item 6: Work plan and priorities of the Board

33. The Board considered document GCF/B.02-12/03 (Work Plan of the Board until the End of 2013). A representative of the Interim Secretariat introduced the document.

34. Several Board members stressed that the work plan was very ambitious, which is considered necessary for a successful and expedited operationalization of the Fund, while some Board members found the work plan not sufficiently ambitious. Some Board members emphasized that the Fund must be innovative, prove that it offers added value over existing funding mechanisms and can catalyze private sector investment. Some Board members expressed that it was critical for the Board's professionalism and accountability to agree on a clear work plan until the end of 2013 at the meeting.

35. In the discussion, Board members emphasized that there was a need to prioritize and appropriately sequence the work of the Board. Several Board members expressed the view that discussion and decisions on the broader vision and business model framework of the Fund should take place prior to decisions on some other specific elements of work. However, it was identified that a number of elements of the Board's work, due to their nature, could be considered in parallel to the business model framework deliberations.

36. Board members proposed that various items in the work plan should be prioritized, such as the business model framework of the Fund, resource mobilization, establishment of the independent Secretariat, selection of the Executive Director, conclusion of the host country agreement, policies and procedures for public sector contributions, private sector facility, results-based management, access modalities, complementarity and coherence, readiness and capacity building, funding approval processes and criteria, policies for information disclosure, fiduciary standards and environmental and social safeguards, programme and project funding cycles and guidelines for project preparation. It was noted that the selection of the permanent Trustee should be included in the work plan.

37. Some Board members proposed to establish committees to progress key items of the work plan. Several Board members considered it useful to solicit input and analytical work from external sources. It was proposed that relevant documents drafted as part of the Transitional Committee for the design of the Green Climate Fund process should be made available to the Board. It was also proposed that Board members could contribute input

addressing key matters in the work plan. In this context, Board member Mr. Dipak Dasgupta offered to provide, by the next Board meeting, three documents: on vision, resource mobilization, and matching the Fund's instruments with outcomes.

38. Several Board members requested that there be three meetings of the Board in 2013. It was considered that three Board meetings of four days each might facilitate the work of the Board. Some Board members commented on the timing of the meetings and the need to avoid existing key calendar events.

39. Two active observers from the civil society and private sector made statements on this agenda item. A representative from Germanwatch (a civil society organization) emphasized the need to prioritize the work plan and emphasized some matters that could be taken up early, such as readiness and preparatory activities, resource mobilization, calls for project and programme proposals and accreditation of implementing entities. He also stressed the importance of considering cross-cutting issues in the Fund, such as the engagement of stakeholders and gender issues, in particular in developing countries.

40. A representative from the Climate Markets and Investment Association (a private sector organization) provided views on the work relating to the private sector facility, such as definition of private sector entities, financial instruments offered by the facility, legal modalities and the question of independence of the facility from the adaptation and mitigation windows.

41. The Co-Chairs requested a team of Board members/alternate members, comprising Mr. Arnaud Buisse, Mr. Nick Dyer, Mr. Derek Gibbs, Mr. Kjetil Lund, Mr. Tosi Mpanu Mpanu and Ms. Adriana Soto to undertake deliberations on the work plan with the aim of reaching consensus amongst the team on work plan matters and related documents to be prepared by the Interim Secretariat for the first Board meeting in 2013, and to report back to the Board. Ms. Soto was requested to facilitate the team's discussions.

42. Ms. Soto subsequently reported on the deliberations of the team. After the discussion, the Board adopted the following decision:

DECISION B.02-12/03

The Board:

- (a) Agreed to take decisions with an aim to finalize the Fund's business model and consider each related matter in detail as part of the Board's work plan until the end of 2013;*
- (b) Agreed in principle to the elements of the Board's work plan until the end of 2013, as set out in Annex IV to document GCF/B.02-12/03;*
- (c) Agreed to the indicative priority matters in the work plan until the end of 2013, as set out in Annex III to this report;*
- (d) Agreed to the indicative timeline for the Board's work plan until the end of 2013, as set out in Annex IV to this report, noting that the Board will manage the timeline on a meeting-by-meeting basis;*
- (e) Agreed to the list of matters for consideration at its next meeting, as outlined in Annex V to this report;*
- (f) Requested the Interim Secretariat to prepare documents listed in Annex VI to this report for the first Board meeting in 2013;*
- (g) Requested the team of six Board members/alternate members to facilitate the preparation of the documents on business model framework. These Board members/alternate members are: Mr. Arnaud Buisse, Mr. Nick Dyer, Mr. Derek Gibbs, Mr. Kjetil Lund, Mr. Tosi Mpanu Mpanu and Ms. Adriana Soto.*

43. The elements of the Board's work plan until the end of 2013, as set out in Annex IV to document GCF/B.02-12/03, are reproduced in Annex VII to this report.

VII. Agenda item 7: Selection of the host country of the Fund

44. The Board, on an exceptional basis, and without setting a precedent for any future cases, decided to invite as observers the representatives of the countries that had offered to host the Fund that are not represented as Board members and alternates to participate in the Board meeting for this item.

45. The Board considered document GCF/B.02-12/04 (Report of the Host Country Evaluation Committee). The Chair of the Host Country Evaluation Committee, H.E. Ms. Audrey Joy Grant, introduced the document.

46. Each of the six candidate countries was given the opportunity to provide a statement on their respective offers to host the Fund.

47. A member of the Host Country Evaluation Committee clarified that the Evaluation Committee had reported on the offers by each candidate country according to the evaluation criteria agreed by the Board, making no ranking or recommendations. The importance of the host country's legal arrangements for the Fund was also emphasized by a Board member.

48. The Co-Chairs stated that, in line with the decision of the Board, they would consult with the Board members to see if there was a consensus on any of the candidate countries to be the host country. An outline of the selection process for the host country was provided for consideration by the Board, covering the rules in the case that consensus could not be reached through consultations. The Board and candidate countries agreed on the selection process and decided that this would be attached to the report of the meeting (Annex II to this report).

49. Subsequently, the Co-Chairs reported that such a consensus was not identified. In line with the process outlined in Annex II to this report and without setting any precedents for future Board decisions, a decision-making process was undertaken. The Board adopted the outcome of the decision-making process by consensus. The Board also agreed on a press advisory announcing the outcome.

50. The Board adopted the following decision:

DECISION B.02-12/04

The Board:

- (a) Decided by consensus to select Songdo, Incheon City, Republic of Korea, as the host city of the Fund;*
- (b) Agreed to present this decision for endorsement by the Conference of the Parties (COP) of the UNFCCC at its eighteenth session.*

VIII. Agenda item 8: Arrangements for the Interim Trustee

51. The Board considered document GCF/B.02-12/05 (Interim Trustee Arrangements for the Green Climate Fund). A representative of the Interim Trustee introduced the document. The Board discussed matters relating to the reference in the document to the juridical personality and legal capacity of the Fund, whether the Interim Trustee can enter into legal arrangements with the Fund or the Board and the Interim Trustee's cost recovery. A representative of the Interim Trustee responded to the questions raised. The Board discussed the text relating to the

juridical personality of the Fund and approved a revised version of the Standard Provisions applicable to the Green Climate Fund Trust Fund.

52. During the discussion, a Board member noted the need for separate procedures for handling possible misappropriation of funds or possible fraud or corruption and recommended that the Interim Secretariat should produce a document on this subject for the Board to consider.

53. Following the discussion, the Board took note of the Interim Trustee arrangements outlined in document GCF/B.02-12/05/Rev.01 and adopted the following decision:

DECISION B.02-12/05

The Board:

- (a) *Approved the Standard Provisions applicable to the Green Climate Fund Trust Fund in Annex II to document GCF/B.01-12/05/Rev.01;*
- (b) *Approved the Transfer Agreement under the Green Climate Fund Trust Fund (MTO No. 069022) with the UNFCCC secretariat in connection with the Interim Secretariat in Annex III to document GCF/B.01-12/05/Rev.01.*

IX. Agenda item 9: Status of resources and administrative budget of the Interim Secretariat and the Interim Trustee

54. The Board considered documents GCF/B.02-12/Inf.02 (Status of Resources), GCF/B.02-12/06 (Administrative Budget of the Green Climate Fund (for the period from 1 November 2012 to 31 December 2013)) and GCF/B.02-12/06/Rev.01 (Administrative Budget of the Green Climate Fund (for the period from 1 November 2012 to 31 December 2013) – Revision). Representatives of the Interim Secretariat and Interim Trustee introduced the documents.

55. During the discussion, several Board members expressed their concern regarding the low level of resources currently available in the Green Climate Fund Trust Fund, and the gap between resources currently available and the proposed budget. Two Board members, on behalf of their countries, pledged additional resources to the Trust Fund: (i) Norway for US\$ 700,000; (ii) Sweden for US\$ 800,000 equivalent.

56. Several Board members requested the Interim Secretariat and the Interim Trustee to provide details regarding the assumptions behind the proposed budget lines for travel, staff (particularly cross-support costs from the GEF), information technology, Board meetings and consultants. The representatives of the Interim Secretariat and Interim Trustee provided information regarding the assumptions behind the proposed budget. The information revealed some inconsistency in unit travel cost norms employed throughout the proposed budget.

57. At the request of the Board, document GCF/B.02-12/06 was revised and presented to the Board as document GCF/B.02-12/06/Rev.01 to reflect the changes requested by several Board members, including: standardizing unit travel costs, reducing the number of Board meetings in 2013 from four to three, separating the costs of the Executive Director out from the costs of full-time staff of the Interim Secretariat and revising the draft decision to include a preamble on the status of resources of the Fund.

58. After the discussion, the Board adopted the following decision:

DECISION B.02-12/06

The Board, having reviewed document GCF/B.02-12/06/Rev.01, and making a record of:

- *Funds available for disbursement of US\$ 2.7 million as at 19 October 2012;*
 - *Previous pledges anticipated to be paid in of US\$ 2.5 million;*
 - *New pledges made at the meeting of US\$ 1.5 million; and*
 - *Strong commitments to additional pledges made;*
- (a) *Approved, from resources available or to be made available in the Green Climate Fund Trust Fund (GCFTF), the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 of US\$ 7,481,000, as set out in Table 2 of document GCF/B.02-12/06/Rev.01;*
- (b) *Authorized the Interim Trustee to make cash transfers from the GCFTF to the UNFCCC and GEF secretariats as the Interim Secretariat, and to the World Bank as the Interim Trustee, in accordance with the administrative budget of the Fund approved by the Board, subject to adjustment based upon revised costs and expenditures to be incurred. In the event the Interim Trustee determines that the amount of available resources in the GCFTF will be insufficient to cover the total estimated budgets specified in (a) above, the Board authorizes the Interim Trustee to make cash transfers to the Interim Secretariat and the Interim Trustee up to the pro rata amount of available resources in the GCFTF to cover such total estimated budget as determined by the Interim Trustee;*
- (c) *Authorized the Interim Secretariat to recruit staff for the period from 1 November 2012 to 31 December 2013, in accordance with the administrative budget of the Fund approved by the Board and subject to availability of resources, by:*
- (i) *Issuing fixed term contracts up to December 2013;*
 - (ii) *Further staff assignments from the UNFCCC and GEF secretariats;*
 - (iii) *Reimbursable secondments of experts from relevant institutions; and/or*
 - (iv) *Hiring consultants for extended periods of time;*
- (d) *Took note of the supplementary information presented in the document, including on the status of financial resources in the GCFTF.*
59. The administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 of US\$ 7,481,000, as set out in Table 2 of document GCF/B.02-12/06/Rev.01, is reproduced in Annex IX to this report.

X. Agenda item 10: Arrangements for establishing the independent Secretariat, including the selection of the Executive Director

60. The Board considered documents GCF/B.02-12/07 (Establishment of the Independent Secretariat) and GCF/B.02-12/08 (Selection of the Executive Director). A representative of the Interim Secretariat introduced the documents.

61. There was consensus amongst the Board members that the Fund needs to look for a highly qualified Executive Director, commensurate with the ambitions and challenges of the Fund, and that the process needs to be transparent and reach out to the largest pool of candidates globally. Several Board members pointed out additional criteria for selection of the Executive Director, including experience working on development issues and/or working in

developing countries. One Board member highlighted the importance of Board agreement on a benefits package for the Executive Director. Board members also emphasized that this process needs to be undertaken with a sense of urgency.

62. Several Board members suggested that an executive search firm would assist in reaching out to qualified candidates, while others voiced concerns regarding potential costs involved. The Interim Secretariat informed the Board that the heads of the UNFCCC and GEF secretariats had already, before the first Board meeting, initiated a process to identify an executive search firm through a transparent bidding process, noting that this was conducted in the context of the COP decision on the appointment of the head of the Interim Secretariat. Some Board members appreciated this proactive approach, while others raised an issue with this step having been taken without the consent of the Board. A representative of the Interim Secretariat clarified the costs associated with the selection process, outlining the experience of the selection of the Chairperson/Chief Executive Officer of the GEF, and clarified the process followed for identifying an executive search firm prior to the establishment of the Board.

63. The Board agreed that an Executive Director Selection Committee should be established to finalize the terms of reference for the Executive Director, decide on the use of an executive search firm, interview candidates and recommend three qualified candidates to the Board without ranking. Board members emphasized the need for the Selection Committee to consult with the Board throughout the process.

64. After the discussion, the Board adopted the following decisions:

DECISION B.02-12/07

The Board:

- (a) Took note of the information presented in document GCF/B.02-12/07;*
- (b) Requested the Board members to submit any comments they may have on the document to the Interim Secretariat no later than 3 November 2012.*

DECISION B.02-12/08

The Board:

- (a) Decided to establish an Executive Director Selection Committee consisting of six Board members (H.E. Mr. Jan Cedergren, H.E. Mr. Ernesto Cordero Arroyo, Mr. Omar El-Arini, H.E. Ms. Audrey Joy Grant, Mr. Manfred Konukiewitz and Mr. Alexey Kvasov) that will oversee the selection process and make recommendations to the Board;*
- (b) Agreed to request the Executive Director Selection Committee to:*
 - (i) Agree to revise the draft terms of reference for the Executive Director (Annex III of document GCF/B.02-12/08), taking into account written comments received from Board members, which will be provided no later than 3 November 2012;*
 - (ii) Decide the selection process for the Executive Director, considering the most effective and efficient approach, including whether an executive search firm is required to assist in the process;*
 - (iii) In the event that an executive search firm is the option of choice, agree on the terms of reference for the search firm, and provide guidance to the Interim Secretariat to identify a suitable firm in a cost-effective manner, for approval by the Selection Committee;*
 - (iv) Approve the text and media for disseminating the advertisement for the Executive Director;*

- (v) *Agree a short-list of candidates, interview the short-listed candidates and create a final list of three candidates without ranking for consideration by the Board, at its third meeting;*
- (vi) *Incur expenses of up to US\$ 200,000, ensuring expenditure is efficient and cost-effective. If there is a requirement to exceed this amount, the Selection Committee will seek the Co-Chairs' approval; and*
- (vii) *Keep the Board informed of progress, including a report to the third meeting addressing action in relation to sub-paragraphs (i)-(vi) above.*

XI. Agenda item 11: Arrangements between the Conference of the Parties and the Fund

65. The Board continued its discussion of this item from the last meeting. Some members highlighted that some provisions of the Governing Instrument define the relationship between the Fund and the COP while some others referred to articles of the Convention that define the relationship. Some members suggested that the Board should draft these arrangements; other members considered that the COP should decide and provide guidance on this matter at its eighteenth session. The Co-Chairs concluded that there was no consensus on this agenda item.

XII. Agenda item 12: Report to the Conference of the Parties

66. The Board considered 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). Two Board members recommended editorial changes to the draft report text. The Interim Secretariat will make these adjustments. A proposal was agreed to delete Annex I of the draft report.

67. The Board took 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 and, after the discussion, adopted the following decision:

DECISION B.02-12/09

The Board:

- (a) *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 UNFCCC secretariat;*
- (b) *Authorized the Co-Chairs to present the report to the COP.*

XIII. Agenda item 13: Logo of the Green Climate Fund

68. The alternate member Mr. Farrukh Khan introduced a proposal on modalities for creating the identity of the Fund through a logo, suggesting the Fund should launch an international competition inviting art and design schools and universities across the world to submit a logo for the Fund that would depict its ideals and character.

69. Following a number of comments raised by the Board members, in particular on whether offering a cash prize was an appropriate way of rewarding the winner and whether it was necessary to convene a selection panel to evaluate the submissions, the Board agreed to: (a) take up this matter at its next meeting; and (b) invited Mr. Khan to refine his proposal following further consultations with Board members and other interested parties.

XIV. Agenda item 14: Other business

70. The Board authorized the Interim Secretariat to provide the full costs of travel and daily subsistence allowance of Board members and alternate members from eligible developing countries to attend Board meetings or any ancillary meetings decided by the Board.

XV. Agenda item 15: Report of the meeting

71. The Co-Chairs presented a draft report of the meeting (document GCF/B.02-12/Drf.01 (Draft Report of the Second Meeting of the Board, 18-20 October 2012)) and the document containing the decisions taken by the Board (document GCF/B.02-12/Drf.02 (Decisions of the Board – Second Meeting of the Board, 18-20 October 2012)). The Board agreed document GCF/B.02-12/Drf.02, with amendments (subsequently issued as document GCF/B.02-12/12 (Decisions of the Board – Second Meeting of the Board, 18-20 October 2012)). The Board agreed that the Co-Chairs would revise the draft report (document GCF/B.02-12/Drf.01) based on the comments received from Board members by 3 November 2012.

XVI. Agenda item 16: Closure of the meeting

72. The meeting was closed on 20 October 2012.

**Annex I: List of Board members and alternate members
participating in the meeting****Members of the Board**

Mr. Bambang Brodjonegoro
Mr. Per Callesen
H.E. Mr. Jan Cedergren
H.E. Mr. Ernesto Cordero Arroyo
Mr. Dipak Dasgupta
Mr. Nicholas Dyer
Mr. Omar El-Arini
Mr. Zaheer Fakir (Co-Chair)
Ms. Ana Fornells de Frutos
Mr. Derek Gibbs
H.E. Ms. Audrey Joy Grant
Ms. Beata Jaczewska
Mr. David Kaluba
Mr. Manfred Konukiewitz
Mr. Alexey Kvasov
Mr. Kjetil Lund
Mr. Ewen McDonald (Co-Chair)
Mr. Gilbert Metcalf
Ms. Adriana Soto
Mr. Yoshiki Takeuchi
Mr. George Zedginidze
Ms. Jiayi Zou

Alternate members of the Board

Mr. Tosi Mpanu Mpanu
Mr. Jose Ma. Clemente Salceda
Mr. Richard Doornbosch
Mr. Rodrigo Rojo
Mr. Arnaud Buisse
Mr. Farrukh Khan
Mr. Newai Gebre-ab
Mr. Paulo Gomes
H.E. Mr. Ali'ioaiga Feturi Elisaia
Mr. Jorge Alberto Ferrer Rodriguez
Mr. Adam Kirchknopf
Mr. Mesbah Ul Alam
Mr. Norbert Gorissen
Mr. Anton Hilber
Mr. Tomas Zidek
Mr. Rod Hilton
Ms. Elizabeth Lien
Mr. Gabriel Quijandria
Mr. Ryusuke Nakayama
Mr. Salman Aldossary
Mr. JungKu Choi

Annex II: Selection process for the host country of the Green Climate Fund - Steps towards the decision of the Board

1. The steps of the selection process:

- (a) The Co-Chairs will first consult with members of the Board on a confidential basis to determine whether a consensus exists;
- (b) Failing that, the Board may utilize the following decision-making process:
 - i. A series of confidential ballots of Board members to determine the successful candidate;
 - ii. Following each round of balloting, the candidate country with the least support will be eliminated;
 - iii. Each member is permitted one ballot in each round;
 - iv. In the final round of two candidate countries, the candidate country receiving the majority of support will be selected for the Board to then be endorsed by consensus;
 - v. In the event of a tie, the balloting process is repeated until a majority is reached.
- (c) The Board will adopt the outcome of the process by consensus.

2. Proposed steps if ballots are required:

- (a) Who should participate in the ballot process?

All Board membersⁱ will participate in the ballot process.

- (b) Who should be present in the meeting room during ballots?

Present in the meeting room will be: all Board members; one representative of each of the three candidate countries that do not have a Board member (Namibia, Republic of Korea and Switzerland) as observers; the heads of the secretariats of the UNFCCC and GEF (or their representatives) who will preside over the ballot process; and a limited number of Interim Secretariat staff to manage the logistics.

- (c) Ballot papers

New ballot papers will be printed for each round of the ballot process. The sequence of candidate countries will be decided using a randomizer tool.

- (d) Ballot boxes

The heads of the secretariats of the UNFCCC and GEF will ascertain that the ballot box is empty and will lock the ballot box in front of all present immediately prior to the commencement of the ballot process.

- (e) Casting of ballots

Each Board member will cast one ballot in each ballot round. Board members will be requested to go to a private booth in the room, where they will be provided with the ballot paper, make their selection by ticking the checkbox next to their preferred candidate and place their ballot paper in the ballot box. They will then return to their seat.

Any ballot paper with more than one checkbox marked or no checkboxes marked will not be counted.

ⁱ During the absence of the member from all or part of a meeting of the Board, his or her alternate will serve as the member.

(f) Rules during the ballot process

All present in the meeting room during the ballot process will be requested to remain in the room, maintain silence and remain seated when they are not casting their ballots. They will also be requested leave any electronic devices at the designated table in the meeting room during the selection process. No interruption will be allowed during the ballot process.

(g) Counting of ballots

The heads of the secretariats of the UNFCCC and GEF will preside over the various steps of the ballot process, including the counting of ballots, which will be conducted by the Interim Secretariat. This will be conducted in the same meeting room, but in private on a secluded table.

(h) Tie

Tie in the final ballot round:

In the event of a tie in the final round of ballot, the ballot process will continue until the successful candidate emerges.

Tie in the preceding ballot rounds:

In the event of a tie in any round that is not the final round, a new ballot will be held between the tied candidates until one candidate receives fewer votes than the other(s) and is eliminated.

(i) Announcement of results

To maintain the confidentiality of the ballot, consistent with the decision of the Board at its first meeting, the numbers of votes accorded to each candidate country will not be announced. The presiding officers will only announce the candidate country who has received the least number of votes.

(j) The Board will adopt the outcome of the selection process by consensus.

(k) At the end of the full selection process, after the host country has been agreed by consensus, countries which were eliminated will be given in writing the number of votes they received in the round in which they were eliminated.

(l) The original ballot papers will be marked confidential and sealed, retained by the Interim Secretariat and passed to the independent Secretariat for the record.

Annex III: Indicative priority matters in the work plan until the end of 2013

- I. Business model framework
- II. Private sector facility-related matters
- III. Resource mobilization
- IV. Results management framework
- V. Establishment of the independent Secretariat
 - (a) Host country agreement
 - (b) Selection of the Executive Director
 - (c) Guidance on administrative policies of the independent Secretariat
- VI. Modalities for readiness and preparatory support
- VII. Access modalities (direct access and other access modalities)
- VIII. Programme and project funding cycle
- IX. Funding approval criteria and processes
- X. Financial instruments and their terms
- XI. Allocation system
- XII. Standards and safeguards
- XIII. Risk management policy
- XIV. Information disclosure policy
- XV. Audits

Annex IV: Meetings of the Board

The indicative schedule of Board meetings in the year 2013 is as follows:

- (a) First Board meeting, 12-15 March 2013, Berlin, Germany;
- (b) Second Board meeting, 25-28 June 2013;
- (c) Third Board meeting, [18-21] September 2013.

Annex V: Agenda items for the first Board meeting in the year 2013

- I. Business model framework
 - (a) Structure and organization of the Fund
 - (b) Private sector facility-related matters
 - (c) Access modalities
 - (d) Results management framework
- II. Resource mobilization
- III. Modalities for readiness and preparatory support
- IV. Establishment of the independent Secretariat
 - (a) Selection of the Executive Director
 - (b) Review of staffing of the Interim Secretariat
 - (c) Guidance on administrative policies of the independent Secretariat
- V. Host country agreement
- VI. Any pending matter from the second Board meeting in 2012

Annex VI: List of documents to be prepared for the first Board meeting in 2013

I. Business model framework

(a) Structure and organization of the Fund

The document will build on the provisions of the Governing Instrument and guidance received from the COP. The document will include a description and visualization of the business model of the Fund to promote the paradigm shift towards low emission and climate-resilient development pathways, with:

- (i) Structural options for the business model;
- (ii) Models for the delivery of the Fund's resources (direct and indirect/wholesale and retail) for enhanced access;
- (iii) Structural options and financial instruments in terms of its leveraging potential of additional public and private sector finance, at national and international levels in the context of funding windows and facilities; and
- (iv) Complementarity of the Fund with other channels of climate finance and linkages with thematic bodies of the Convention

(b) Private sector facility (PSF)-related matters

The document will include the following matters:

- (i) An assessment and implications of various institutional models for the PSF, including governance structure;
- (ii) An assessment and implications of models for the delivery of the PSF resources, including direct, indirect or a combination; and
- (iii) Complementarity of the PSF with other channels of climate finance.

(c) Access modalities

The document will include the following matters:

- (i) Eligibility for accessing resources from the Fund; and
- (ii) Range of access modalities, including enhanced access modalities, and their availability across different funding programmes.

(d) Results management framework

The document will include the following matters:

- (i) Key elements of results management framework;
- (ii) Modalities for monitoring and evaluation;
- (iii) Results-based approaches for resource allocation; and
- (iv) Performance indicators for measuring performance at project and programme level and for overall performance of the funded activities.

II. Resource mobilization

The document will include the following matters:

-
- (a) Policies and procedures for public contributions and other contributions, including from alternative sources; and
 - (b) Process and policies, participants and timeframes for resource mobilization and subsequent replenishments.

III. Modalities for readiness and preparatory support

The document will include the following matters:

- (a) Priority areas for readiness and preparatory support;
- (b) Mechanisms for allocation, delivery and simplified approval process for readiness and preparatory support; and
- (c) Complementarity of modalities for readiness and preparatory support with other channels of climate finance.

IV. Establishment of the independent Secretariat

The document will include matters relating to:

- (a) Selection of the Executive Director;
- (b) Review of staffing of the Interim Secretariat; and
- (c) Guidance on administrative policies of the independent Secretariat.

V. Host country agreement

- (a) Preparation of host country agreement, including provisional legal arrangements for privileges and immunities for the establishment of the independent Secretariatⁱ.

Method for preparing the document on business model framework

The committee/team of six Board members will facilitate the preparation of the document on business model framework. Input from Board members could be solicited on specific matters/higher order questions. The Interim Secretariat will solicit input from consultants, experts and stakeholders, including private sector and civil society organizations on specific matters.

ⁱ In consultation with the host country.

Annex VII: Elements of the Board's work plan until the end of 2013

I. Institutional and strategic matters

- (a) Additional Board Rules of Procedure not covered at the second Board meeting;
- (b) Structure and organization of the Fund;
- (c) Model for the delivery of the Fund's resources (direct and indirect);
- (d) Allocation system;
- (e) Complementarity and coherence;
- (f) Reporting to the COP.

II. Access modalities

- (a) Range of access modalities and their availability across different programmes;
- (b) Entities eligible to apply for accreditation;
- (c) Accreditation procedures and criteria;
- (d) Responsibilities and accountabilities of the Fund and implementing entities;
- (e) Form of arrangements/agreements between the Fund and implementing entities;
- (f) Assistance for entities seeking accreditation.

III. Programming modalities

- (a) Financial instruments and their terms;
- (b) Risk management policy;
- (c) Funding approval processes and criteria;
- (d) Programme and project funding cycle;
- (e) Mechanisms to ensure country ownership and create linkages with country planning processes;
- (f) Mechanisms to ensure complementarity with other mechanisms and institutions;
- (g) Mechanisms to engage stakeholders;
- (h) Readiness and preparatory support and capacity-building.

IV. Private sector facility (PSF)

Matters specific to the PSF:

- (a) Model for the delivery of the PSF's resources (indirect, direct or a combination);
- (b) Scope of activities and partners;
- (c) Financial inputs;
- (d) Mechanisms to ensure country ownership and create linkages with country planning processes;

- (e) Linkages with other Fund activities.

Matters common across Fund operations, but which may require specific PSF policies and procedures, depending on Board decisions on institutional and strategic matters:

- (a) Governance;
- (b) Financial instruments and their terms;
- (c) Funding approval processes and criteria;
- (d) Results measurement;
- (e) Information disclosure;
- (f) Conflict of interest.

V. Accountability mechanisms, standards, results and evaluation

- (a) Best-practice fiduciary principles and standards;
- (b) Best-practice environmental and social safeguards;
- (c) Monitoring;
- (d) Results management framework;
- (e) Evaluation, including the Independent Evaluation Unit;
- (f) Information disclosure policy;
- (g) Independent Integrity Unit;
- (h) Redress mechanism.

VI. Resource mobilization

- (a) Form of financial inputs;
- (b) Policies and procedures for public contributions;
- (c) Policies and procedures for other contributions, including from innovative sources;
- (d) Process, participants, roles, policies and timeframes for initial resource mobilization and subsequent replenishments;

VII. Establishment of the independent Secretariat

- (a) Liaison with the host country regarding juridical personality and legal capacity for the Fund and associated privileges and immunities;
- (b) Recruitment of the Executive Director;
- (c) Guidance to the Executive Director on independent Secretariat's administrative policies such as: human resources policies and practices, recruitment, financial management policies and practices, facilities management and general administration, information technology, procurement and travel.

Annex VIII: Additional Rule of Procedure relating to Co-Chairs

If a Board member is elected as Co-Chair, that member may request his/her alternate member to express the respective constituency's or regional group's viewpoint in deliberations. However, the Board member retains the right to vote if a formal vote is called.

**Annex IX: Administrative Fund budget for the period
1 November 2012 - 31 December 2013 (in US\$)**

	<u>Actual expenditures</u> 1 Jan. 2012 - 30 Jun. 2012 (6 months)	<u>Approved budget</u> 1 Jul. 2012 - 31 Oct. 2012 (4 months)	<u>Proposed budget</u> 1 Nov. 2012 - 31 Dec. 2013 (14 months)
1. Board			
1.1 Board meetings	-	408,000	954,000
1.2 Board committees, panels and working groups	-	60,000	382,000
<i>Sub-total: Board</i>	-	468,000	1,336,000
2. Interim Secretariat			
2.1 Salaries, wages and consultancies	428,959	472,000	3,845,000
2.2 Travel	112,730	110,000	315,000
2.3 General operating and information technology costs	39,234	96,000	1,175,000
<i>Sub-total: Interim Secretariat</i>	580,923	678,000	5,335,000
3. Executive Director	-	-	121,000
4. Interim Trustee	274,296	115,000	689,000
GRAND TOTAL	855,219	1,261,000	7,481,000