

Green Climate Fund

Report of the Fourth Meeting of the Board, 26-28 June 2013

GCF/B.04/18

9 October 2013

Meeting of the Board

26-28 March 2013

Songdo, Republic of Korea

Agenda item 14

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Report of the Fourth Meeting of the Board, 26-28 June 2013

Agenda item 1: Opening of the meeting, adoption of the agenda and organization of work

1. The meeting was opened by the Co-Chairs on 26 June 2013. On behalf of the Board, they thanked the Government of the Republic of Korea for its generous hospitality in hosting the meeting.

2. After the Co-Chairs established that there was a quorum, the Board adopted the agenda as set forth in document GCF/B.04/01/Rev.01 *Provisional Agenda - Revision*, amended as follows:

1. Opening of the meeting, adoption of the agenda and organization of work
2. Adoption of the report of the third meeting
3. Report on activities of the Co-Chairs and the Interim Secretariat
4. Establishment of the independent Secretariat
5. Business model framework
6. Additional rules of procedure of the Board
7. Arrangements between the Conference of the Parties and the Fund
8. Logo of the Fund
9. Communication strategy
10. Relationship with the thematic bodies under the United Nations Framework Convention on Climate Change and external bodies
11. Status of resources
12. Co-Chairs
13. Other business
14. Report of the meeting
15. Closure of the meeting

3. During the adoption of the agenda, one Board member sought clarification on whether some pending matters are sufficiently covered in the agenda, which the Co-Chairs provided.

3. The Co-Chairs welcomed four active observers to the meeting. Civil society organizations (CSOs) had selected as active observers: Mr. Brandon Wu (Action Aid International) and Ms. Meenakshi Raman (Third World Network). Private sector organizations (PSOs) had selected as active observers: Mr. Abyd Karmali (Climate Markets and Investment Association (CMIA)) and Ms. Gwen Andrews (World Business Council for Sustainable Development (WBCSD)). The Co-Chairs assured the active observers of the Board's appreciation of, and support to, their contribution to Board proceedings.

4. The CSO active observer from the Third World Network stated that the observer accreditation process was flawed and referred to the short time frame provided to complete the process. She stated that this short time frame constrained the self-selection process of active

observers and placed on record that active observers at this meeting consider their selection as interim. She explained that CSOs will select two permanent active observers once their internal self-selection process is fully established. She also placed on notice that there are other outstanding matters relating to observer participation in Board proceedings.

5. One Board member sought clarification on the representation of PSOs active observer from developing countries. The PSO active observer from the WBSCD explained that the WBSCD took input from a number of sources prior to making a nomination. However, it did not receive any nominations from developing countries and Ms. Andrews was the closest proxy given her work across Asia. She undertook to consult closely regarding developing country PSO interests.

Agenda item 2: Adoption of the report of the third meeting

6. The Co-Chairs drew the attention of the Board to the draft report of the third Board meeting (document GCF/01-13/Drf.04 *Draft Report of the Third Meeting of the Board, 13-15 March 2013*). The Board adopted the following decision:

DECISION B.04/01

The Board:

- (a) *Adopted the report of the third meeting, contained in document GCF/B.01-13/Drf.04;*
- (b) *Agreed to publish it on the Fund's website (document GCF/01-13/13 *Report of the Third Meeting of the Board, 13-15 March 2013*).*

Agenda item 3: 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, in the period since the third Board meeting, the Co-Chairs focused on guiding the Interim Secretariat's work in producing documents for the fourth Board meeting. In particular, they worked closely with the business model framework team to oversee the development of the six documents on the business model framework to ensure that they build on the areas of convergence agreed upon at the third Board meeting and outline clear options for Board consideration.

8. The Co-Chairs also reported that they liaised closely with the Executive Director Selection Committee that successfully produced a list of three recommended candidates for the position of the Executive Director.

9. The Co-Chairs drafted a document on voting procedures for the Board for consideration at this meeting.

10. The Co-Chairs informed the Board that they were in continued consultations with Board members and alternate members on a range of matters, including on documents and preparations for this meeting. They also carried out consultations with CSOs and PSOs.

11. The Co-Chairs oversaw the preparation of decisions between Board meetings on approving recommendations from the Interim Secretariat on applications for accreditation of observer organizations, and options for an administrative framework for the Fund.

12. The Co-Chairs also informed the Board of the signing of the Headquarters Agreement between the Republic of Korea and the Fund at a signing ceremony in Songdo on 10 June 2013 and that the Headquarters Agreement will be put forward to the Parliament of the Republic of Korea for ratification in June 2013.

13. The Co-Chairs informed the Board of Co-Chair attendance at the session of the Ad-Hoc Working Group on the Durban Platform for Enhanced Action (ADP) in Bonn, Germany, where they reported on the progress in the design of the Fund; the Global Green Growth Summit in Songdo and the First Global Investor Forum on Climate Change in Hong Kong, where they delivered remarks covering the role of the Fund and progress in its design, in line with the communication model discussed at the third Board meeting.
14. The Co-Chairs reported that the Board approved, through a decision between meetings, a partnership between the Fund and the Caribbean Development Bank and Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) on a workshop on readiness and preparatory support to be held in July 2013.
15. The Board took note of the information provided by the Co-Chairs.
16. A representative of the Interim Secretariat introduced document GCF/B.04/Inf.02 *Report on Activities of the Interim Secretariat*.
17. One Board member expressed his appreciation for the work of the Interim Secretariat in preparing the documents for this meeting. He stated that Board documentation could be improved by providing clear Board guidance to the Interim Secretariat, including through the Board's agreement on the terms of reference for the preparation of documents.
18. The Board took note of document GCF/B.04/Inf.02, covering the activities of the Interim Secretariat undertaken between 16 March and 10 June 2013.

Agenda item 4: Establishment of the independent Secretariat

A. Selection of the Executive Director

19. The Board considered document GCF/B.04-02 *Final Report of the Executive Director Selection Committee*. The Chair of the Executive Director Selection Committee, Mr. Manfred Konukiewitz, introduced the document and provided a summary of the Committee's work in carrying out the selection process. He reminded the Board that, on 7 June 2013, the Committee presented three recommended candidates to the Board, without ranking and in alphabetical order, as mandated by Board decision B.02-12/08. He stated that the Committee is confident that the recommended candidates are fully capable of fulfilling the functions of Executive Director of the independent Secretariat of the Fund. The Board took note of document GCF/B.04-02. The Co-Chairs thanked the Committee members for their work.
20. Each of the three candidates was given the opportunity for informal interactions with the Board.
21. The Co-Chairs stated that they would consult with the Board members to determine if there was consensus on any of the candidates. An outline of the selection process for the post of Executive Director was provided for consideration by the Board, including a decision-making process that could be used in the event that consensus could not be reached through consultations.
22. Following two consultation rounds, the Co-Chairs reported that a consensus was not identified. The Board agreed to a decision-making process (Annex IV to this report). In line with that process and without setting any precedents for future Board decisions, the decision-making process was undertaken. The Board adopted the outcome of the decision-making process – the selection of Ms. Hela Cheikhrouhou – by consensus. The Board also agreed on a press advisory announcing the selection. The Co-Chairs informed the three recommended candidates of the outcome. Ms. Cheikhrouhou subsequently addressed the Board in an executive session. Board members congratulated her on her selection.

23. The Board adopted the following decision:

DECISION B.04/02

The Board:

- (a) *Decided by consensus to select Ms. Hela Cheikhrouhou for the post of the Executive Director of the Fund;*
- (b) *Requested the Interim Secretariat to engage an executive search firm to facilitate the negotiation of the terms of the contract that will be in accordance with the approved terms of reference¹ (Annex to Board decision B.01-13/07) with Ms. Cheikhrouhou, including on a remuneration package that will be in accordance with Board decision B.01-13/07, with the terms of the contract being subject to the approval by the Co-Chairs;*
- (c) *Authorized the Co-Chairs to sign, on behalf of the Fund, the contract between Ms. Cheikhrouhou and the Fund.*

B. Administrative policies and procedures of the independent Secretariat

24. The Co-Chairs introduced the agenda sub-item. A representative of the Interim Secretariat introduced document GCF/B.BM-2013/01 *Administrative Framework for the Green Climate Fund*. The Co-Chairs introduced the draft decision for the consideration by the Board.

25. A representative of the Interim Secretariat responded to the requests for clarification raised by Board members on relationship agreements and provided further background information on related legal matters.

26. A representative of the Interim Secretariat explained that the Board should consider transitional arrangements from the Interim Secretariat to the independent Secretariat. He informed the Board that it would be difficult to implement a fully functioning independent Secretariat by the end of 2013 and that it would therefore be important for the Board to decide on an approach on the Fund's administrative arrangements for the interim period.

27. In response to a Board member's question, a representative of the Interim Secretariat clarified that the hybrid option as outlined in the document would not require duplication of staff, that is, staff with expertise in the UN administrative system and the multilateral development bank administrative system, since the core administrative functions under that option would be developed on the basis of the system used by the Asian Development Bank (ADB). In addition, he explained that support would be required to make the system operational. He proposed that it would be appropriate for the Board to contact another organization to request the use of its administrative policies and guidelines in the interim period.

28. A Board member sought clarity on the feasibility of implementing the proposed draft decision. A representative of the Interim Secretariat explained that the implementation will be possible if the Interim Secretariat is allowed to develop arrangements with another organization, for example, on payroll. Under such arrangements, another organization would serve as service provider, which is a common approach, used, for example, by the UNFCCC secretariat.

29. A Board member expressed support for the draft decision, on the understanding that this does not mean setting up a completely new administrative system. A representative of the Interim Secretariat confirmed this.

¹ This presumes that the Headquarters Agreement and the Green Climate Fund Act have entered into force.

30. A Board member noted that the independent Secretariat's compensation package should take into account modern family structures when establishing its family-related benefits.

31. One Board member made a comment regarding potential conflict of interest if a potential intermediary and/or beneficiary of the Fund was selected as the administrative service provider in the interim period. A representative of the Interim Secretariat explained that this matter will be taken into account and the Interim Secretariat will report back to the Board at its next meeting. He also explained that the Fund would establish its own administrative policies and procedures with reference to the ADB system as a model. A service provider would be selected to support those policies and procedures in the interim period.

32. Following the discussion, the Board adopted the following decision:

DECISION B.04/03

The Board, having reviewed document GCF/B.BM-2013/01 Administrative Framework for the Green Climate Fund,

- (a) *Approved the following hybrid option as the basis for the administrative framework for the Fund:*
- (i) *Privileges and immunities for the Fund's staff to be established consistent with paragraph 8 of the Governing Instrument, with reference to those provided to the International Fund for Agricultural Development and other international financial institutions that operate effectively internationally through appropriate bilateral and multilateral agreements; and*
 - (ii) *The Fund's administrative policies, including for human resources, procurement, travel and finance, are to be based on those used by the Asian Development Bank;*
- (b) *Requested the Interim Secretariat to undertake work on obtaining administrative support from another organisation to facilitate the transition from the Interim Secretariat to the independent Secretariat, for consideration and adoption by the Board at its September 2013 meeting;*
- (c) *Further requested the Interim Secretariat to initiate work on the Fund's administrative policies based on the hybrid option, and advance work as rapidly as possible and report on progress to the Board at its September 2013 meeting;*
- (d) *Authorized the Executive Director to develop the necessary administrative guidelines for the operations of the independent Secretariat based on the direction provided by the Board.*

Agenda item 5: Business model framework

A. Objectives, results and performance indicators

33. The Co-Chairs presented a draft decision for Board consideration, which was based on comments and suggestions made at an informal meeting of the Board on the business model framework held on 25 June 2013. The Co-Chairs pointed towards the areas of convergence, highlighted the areas where further work was needed, and stressed the key matters to be considered.

34. Several Board members stressed the importance of the principle of country ownership and its position at the core of the Fund's business model. Several Board members expressed the need for a balanced approach between mitigation and adaptation actions. A Board member suggested that the Fund should initially focus on the priority areas of mitigation and adaptation.

35. A Board member suggested simplifying the proposed approach on performance indicators, stating that it was best to focus on a broad definition of objectives for the Fund at this stage. A Board member stated that indicators should focus on impacts, adding that a results management framework for the Fund was also a key element.

36. Board members expressed their views on a proposed annex to the draft decision, which contained a list of proposed initial result areas of the Fund. Some Board members considered replacing this list with an indicative list of initial result areas. Several Board members indicated their willingness to support the decision if the title of its annex was changed. One Board member suggested to refer to the list as a tool to calculate the incremental costs. Another Board member suggested that it would be best to focus on thematic areas.

37. Some Board members expressed their support for the consideration of the proposed result areas, while other Board members stressed that they were not ready to take a decision on result areas at this stage, suggesting that more analysis was needed.

38. The Co-Chairs noted that there was no convergence on the list of result areas and asked two Board members, Mr. Nick Dyer and Ms. Jiayi Zou, to work together on reaching a compromise. Subsequent to this discussion, Mr. Dyer reported that it was not possible to reach convergence on the list of result areas, but stated that it would be possible to reach agreement to consider this matter further with an aim of achieving substantial progress at the next Board meeting.

39. Some Board members expressed their dissatisfaction that convergence was not reached, but remained positive about future discussions. Board members agreed to further consider the initial result areas of the Fund and the core performance indicators to be employed by the Fund to measure performance against the objectives of the Fund and the mitigation and adaptation results at the next Board meeting.

40. Following the discussion, the Board adopted the following decision:

DECISION B.04/04

The Board:

- (a) *Noted convergence that the Fund will have a strategic focus on climate mitigation and adaptation, and also seek to maximize sustainable development;*
- (b) *Reaffirmed that country ownership will be a core principle of the business model framework of the Fund and that countries will identify their priority result areas in line with their national strategies and plans;*
- (c) *Decided to consider further the initial result areas of the Fund, with an aim to achieve substantial progress at its September 2013 meeting;*
- (d) *Further decided to consider the core performance indicators to be employed by the Fund to measure performance against the objectives of the Fund and the mitigation and adaptation results to be considered by the Board at its September 2013 meeting;*
- (e) *Further decided to consider the expected impacts and role of the Fund in the initial result areas at its second meeting in 2014.*

B. Country ownership

41. The Co-Chairs presented a draft decision for Board consideration in light of comments and suggestions made at the informal meeting of the Board on the business model framework, which took place on 25 June 2013.

42. Several Board members noted the strong focus of the draft decision on national designated authorities (NDAs). A Board member highlighted that the Governing Instrument provides flexibility to countries in establishing such designated authorities, further noting that there was no requirement to establish NDAs in the Governing Instrument.
43. The Co-Chairs confirmed that establishing an NDA was not mandatory, however, they provided examples to illustrate the point that a level of coordination was desirable, while stressing that there was no one-size-fits-all approach and that, for some countries, a focal point would be the most appropriate approach. They further noted that the intention was to provide some guidance in terms of the functions of NDAs or focal points.
44. A Board member suggested that the guidance should not be too prescriptive, highlighting that in some countries there would be little capacity to implement the establishment of NDAs.
45. A Board member mentioned that coordination and clarity were needed for the Secretariat not to be inundated with proposals from different entities.
46. Other Board members underlined the significance of country ownership and the importance of having multi-stakeholder engagement processes as part of building country ownership. A Board member suggested that the decision should take into account multi-stakeholder engagement and be compatible with national strategies.
47. A Board member suggested that the decision should indicate the minimum functions for a NDA or focal point and that this should include stakeholder engagement.
48. A Board member stated that the NDA or focal point should be at the centre of country ownership. Another Board member stated that NDAs or focal points should not be making decisions on funding proposals.
49. A Board member stressed that it was important to ensure that certain countries are not disadvantaged, and stated that it is critical to provide capacity building and funding for the establishment of NDAs. Additionally, a Board member suggested that capacity in this context would be best addressed through readiness and preparatory support.
50. A Board member proposed that it would be useful for the Interim Secretariat to prepare a document on national implementing entities, which would include examples from existing funds.
51. The PSO active observer from WBCSD stated that country ownership was very important for the private sector and that having a clear point of contact within governments was essential, concluding that there was a need for adequate funding to support the establishment of NDAs or focal points.
52. The Co-Chairs stated that the draft decision would be revised in light of the discussion. Subsequently, the Co-Chairs introduced a revised draft decision. They stressed that the revised draft decision provided the opportunity to have an NDA or a focal point, which responded to the call for flexibility, further stating that the draft decision intended to provide guidance on some of the functions, actions and readiness requirements in light of best practices.
53. Board members provided textual amendments to the revised draft decision.
54. Following the discussion, the Board adopted the following decision:

DECISION B.04/05

The Board:

- (a) Reaffirmed that country ownership and a country-driven approach are core principles of the Fund;

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- (b) *Noted convergence on the importance of readiness and preparatory support for country ownership practices;*
- (c) *Further noted that countries may designate a national designated authority (NDA), in conformity with the Governing Instrument, or mandate a country focal point to interact with the Fund;*
- (d) *Decided to consider, at its September 2013 meeting, countries' transparent no-objection procedure;*
- (e) *Decided that the NDA or focal point will:*
- (i) *recommend to the Board funding proposals in the context of national climate change strategies and plans, including through consultation processes;*
 - (ii) *facilitate the communication of nominations of entities to the Fund;*
 - (iii) *seek to ensure consistency of funding proposals from national, subnational, regional and international intermediaries and implementing entities with national plans and strategies;*
 - (iv) *implement the no-objection procedure; and*
 - (v) *act as the focal point for Fund communication;*
- (f) *Further decided that countries should have flexibility in relation to the location, structure, operation and governance of NDAs or focal points;*
- (g) *Requested the Secretariat to make all necessary steps to open a call to developing countries to start the processes of designating a NDA or focal point as early as possible, and preferably before June 2014;*
- (h) *Requested the Interim Secretariat to reflect in the document on readiness and preparatory support, to be prepared for the September 2013 Board meeting, options to enhance country ownership, including possible support to, NDAs or focal points;*
- (i) *Decided to consider, at its first meeting in 2014:*
- (i) *Best practices for the establishment and composition of NDAs or focal points; and*
 - (ii) *Best-practice options for country coordination and multi-stakeholder engagement, including in the context of the development of funding proposals.*

C. Access

55. The Co-Chairs presented a draft decision in light of comments and suggestions made at the informal meeting of the Board on the business model framework, which took place on 25 June 2013.

56. A Board member sought clarification about how the process of accreditation would work in practice, adding that clarity was needed also on who would make the assessment of the various standards and safeguards.

57. The Co-Chairs addressed the question raised by the Board member by stating that the intention was to have a phased approach. They specified that the intention was for the Board to consider the existing procedures of various relevant organizations, whilst also looking at the different entities that had been accredited by them, and to decide whether such entities could be accredited by the Board. Expressing that this would be the initial process, the Co-Chairs stressed that the Board would consider the development of their own accreditation procedures in the future.

58. With regard to the proposed phased approach, a Board member mentioned that there should also be a check on the relevance of those entities in the initial stage, adding that in the second stage, the Fund should start applying its own fiduciary standards. A Board member stated that it was important to consider the relevant skill sets and implementing capacity of entities.
59. A Board member stated that it was also important to consider the role of sub-national entities. Another Board Member expressed that best-practice fiduciary principles should apply, adding that there should be no compromise on environmental and social safeguards.
60. A Board member supported the idea of assessing other accreditation processes. A Board member stressed that it was important to further enhance direct access by countries.
61. Following the discussion, the Board adopted the following decision:

DECISION B.04/06

The Board:

- (a) *Noted the direction of the Governing Instrument that the Fund will provide simplified and improved access to funding, to encourage a country-driven approach;*
- (b) *Noted that the Board will consider additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes; and that the Fund will provide for readiness and preparatory activities and technical assistance, such as the preparation or strengthening of low-emission development strategies or plans, NAMAs, NAPs, NAPAs, and for in-country institutional strengthening, including the strengthening of capacities for country coordination and to meet fiduciary principles and standards and environmental and social safeguards, in order to enable countries to directly access the Fund;*
- (c) *Noted convergence on the need to develop the Fund's own access modalities, including, inter alia, accreditation procedures, best-practice fiduciary principles and standards and environmental and social safeguards;*
- (d) *Further noted convergence on a phased approach, during which the Fund will use, on an interim basis, the accreditation procedures, including best-practice fiduciary principles and standards and environmental and social safeguards, of other relevant funds;*
- (e) *Noted the guidance contained in the Governing Instrument, which mandated the Board to consider additional methodologies that further enhance direct access, including through funding entities, with a view to enhancing country ownership of projects and programmes;*
- (f) *Decided to consider at its September 2013 meeting:*
- (i) *interim accreditation procedures, including best-practice fiduciary principles and standards and environmental and social safeguards and any other relevant criteria to enhance transparency, effectiveness and efficiency, used by other relevant funds;*
- (ii) *the elaboration of criteria for the accreditation of sub-national, national, regional and international intermediaries and implementing entities; and*
- (iii) *an assessment, against the criteria, of existing accredited national, regional and international intermediaries and implementing entities by other relevant funds, with a view to agreeing whether or not those intermediaries and implementing entities should be provided with interim accreditation;*
- (g) *Decided to consider at its first meeting in 2014 additional modalities that further enhance direct access, including through funding entities with a view to enhancing country ownership of projects and programmes;*

- (h) *Further decided to consider the process for transitioning from the interim accreditation procedures, fiduciary principles and standards and environmental and social safeguards to the Fund's own accreditation procedures, including best-practice fiduciary principles and standards and environmental and social safeguards, at its second meeting in 2014.*

D. Financial instruments

62. A representative of the Interim Secretariat introduced document GCF/B.04/06 *Business Model Framework: Financial Instruments*.
63. Several Board members welcomed the approach taken in the document. A Board member suggested there was a lack of balance between different financial instruments addressed in the document.
64. Many Board members reiterated that grants and concessional lending would be used in the initial phase of the Fund. Several Board members emphasised that it was important to ensure that the door remained open to a variety of financial instruments, including guarantees and equity, which would become relevant as the Fund developed. One Board member stated that it was premature to consider using guarantees and equity. Some Board members indicated that the Fund should not operate as a bank, while others suggested that further discussion was needed on this matter. One Board member noted the absence of project-based loans in the document, which was also highlighted by another Board member, who added that risk management was also an important aspect that requires more work.
65. Some Board members referred to the need for clarity in relation to the links between financial instruments and other elements of the business model framework of the Fund, including the Private Sector Facility and financial intermediaries.
66. A Board member posed the question regarding the blending of finance and how exactly this could be achieved. The discussion also touched upon the differentiation between the types of results expected for adaptation and mitigation.
67. Board members discussed the need for a clear focus on results and impacts for the effective use of financing instruments, noting in particular the role of intermediaries. Several Board members also referred to concessional and incremental costs, suggesting that a better understanding of this would be important.
68. Some Board members also noted the need to consider different modalities for financing in relation to results and capacities. In particular, results-based payments for verified results were mentioned by several Board members as an important modality. Some Board members suggested that it would be useful for the Interim Secretariat to draft an information document on risk appetite for Board consideration at the next Board meeting.
69. Some Board members noted the lack of discussion on instruments that could help raise funds and resource mobilization in general. The Co-Chairs reminded the Board that there will be a document on resource mobilization, to be presented at the next Board meeting.
70. The PSO active observer from CMIA noted the lack of focus on financial instruments for adaptation. He highlighted the need for clarity on how resources would flow from the Fund to intermediaries. He also stated that it is important for the Fund to have diverse modalities to address risks and cost gaps, and facilitate the raising of resources from the private sector.
71. The PSO active observer from WBCSD noted that risks exist on both sides, not only in the use of instruments but also in relation to delivering results.
72. The CSO active observer from Action Aid International highlighted that the document did not address some topics, in particular the convergence on financial instruments achieved at the March 2013 Board meeting, noting that a decision on grants and concessional lending was

the only element needed to operationalize the Fund. He further highlighted the need for adequate oversight in the use of resources and noted the need for clarity regarding financial intermediaries.

73. The CSO active observer from the Third World Network pointed out that the document seemed to accept risks and aims to reduce risks for the private sector, further suggesting that the Fund should not be a bailout instrument.

74. The Co-Chairs presented the draft decision for Board consideration. Several Board members suggested amendments to the proposed draft decision. Based on the discussion and suggestions made by Board members, the Co-Chairs subsequently presented a revised draft decision for consideration by the Board.

75. Some Board members commented that there should be more clarity on how financial instruments would be used by intermediaries. Additional comments focused on the need to capture additional flexibility in the possible use of financial instruments.

76. Board members expressed the need for the identification of terms and conditions for financial instruments for the Board to consider and the need for a better understanding of the role that international entities could have when employing resources of the Fund.

77. Some Board members also highlighted the need for clarity on the use of financial instruments that would be used to support adaptation activities.

78. Some Board members noted that the use of the word “through” in the decision means that accredited national, regional and international intermediaries and implementing entities can use financial instruments of various kinds in disbursing the Fund’s resources and are not limited to grants and concessional lending.

79. Following the discussion, the Board adopted the following decision:

DECISION B.04/07

The Board:

Decided to consider the terms and criteria of the grants and concessional lending to be deployed by the Fund for mitigation and adaptation through accredited national, regional and international intermediaries and implementing entities at its September 2013 meeting.

E. Private Sector Facility

80. The Co-Chairs invited two Board members to report on the discussions on this matter that had taken place at an informal dinner on 26 June 2013. One of these two Board members reported that there was a broad agreement during that discussion that the Private Sector Facility (PSF) should not be a separate entity to the Fund. With regard to decision-making, there were suggestions that the private sector needed to be part of the decision-making layers of the Fund and that the Board could consider delegating some activities to committees as part of the deliberations on the structure and organization. There was also a discussion on the question of who would benefit from the PSF, and on elements of capacity building and private sector engagement.

81. The other of these two Board members added that there was a strong agreement that the PSF was about efficiency. However, he noted the environment was not always conducive to private sector investments, adding that one of the tasks was to identify how to decrease risk and cost of investments. He stated that the private sector had a major role to play, and that the Board should consider how to target the local-level private organizations that may find it very difficult to finance projects given the high cost of capital that they face.

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82. The Co-Chairs presented a draft decision in light of the comments and suggestions made at the informal meeting of the Board on the business model framework that took place on 25 June 2013.
83. Several Board members stated that the PSF should not be separate and should instead be fully integrated in the Fund. A Board member also stressed that it is important to ensure that the PSF will not over-subsidize the private sector, that there was a danger of creating a moral hazard, and that it was important to consider employing competitive processes for accessing resources. Various Board members converged on the latter suggestion.
84. Some Board members expressed concern regarding the matter of risk management within the Facility, noting that clarity was still needed in order to address their concerns.
85. A Board member suggested that the PSF should have more emphasis on private-public partnerships. Another Board member stressed that the private sector was critical for the success of the Fund, suggesting that private sector leverage should occur Fund-wide.
86. Regarding financial instruments, there was a call by some Board members to retain the flexibility in the use of instruments beyond grants and concessional lending.
87. Building on the comments on risk management, some Board members suggested the creation of a credit committee to determine the credit-worthiness of projects under consideration, further stressing the need to have in-house capacity to assess and manage risk. One Board member mentioned that as the PSF evolves to finance projects directly, there would be a need for the Facility to have the ability to attract private sector capital.
88. Some Board members noted that the PSF was an area where the Board could come to a decision and that the Facility could be in a position to start activities very soon.
89. A Board member stated that it was important to clarify what the role of the PSF is and how it will be different from other activities of the Fund, adding that clarity was needed on what instruments could be used for specific results and that different strategies were needed for PSF mitigation and adaptation activities.
90. One Board member stated that the PSF needs to address the matters of scale and adaptation. He also suggested that the PSF should look into financial instruments to raise funds, adding that more focus on how the PSF could attract private sector resources from institutional investors was needed.
91. A Board member raised the need to address market failure. This view was endorsed by another Board member, who highlighted some of the challenges faced by small and medium-sized enterprises.
92. The PSO active observer from WBCSD expressed her support for the creation of an advisory group that could look at matters at the project level, noting that it was important to pay attention to possible conflicts of interest, further suggesting that such an advisory group could be mandated to develop a risk management framework.
93. The PSO active observer from CMIA made reference to the consultation process within his constituency and to some of the recommendations that had emerged from it, such as on micro insurance, credit lines, access to low-cost capital and seed capital for small local businesses.
94. The CSO active observer from Action Aid International made specific reference to parts of the draft decision mentioning the use of grants and concessional lending, intermediaries and the inadequate treatment of risk.
95. The CSO active observer from the Third World Network stressed that many considerations had not been taken into account in the draft decision, suggesting that more time

was needed to discuss the structure of the PSF, concluding that any decision should not be taken without adequate assessment.

96. Following the discussion, the Co-Chairs requested Mr. Per Callesen, Mr. Anton Hilber, Mr. Tosi Mpanu Mpanu and Ms. Adriana Soto to consult on the matter and propose a revision of the draft decision.

97. Following these consultations, Mr. Callesen and the Co-Chairs presented a revision of the draft decision.

98. In the subsequent discussion, several Board members stressed the importance of paying attention to the role of the private sector in adaptation activities.

99. Several Board members commented on the proposal to establish a Private Sector Advisory Group that could make recommendations to the Board, its composition and possible terms of reference. Some Board members also commented on the possible functions of an Investment Committee, reflecting the need for a group of experts to assess projects and manage possible risks.

100. The Co-Chairs requested Mr. Per Callesen, Mr. Dipak Dasgupta, H.E. Mr. Ali'ioaiga Feturi Elisaia, Mr. Anton Hilber, Mr. Tosi Mpanu Mpanu and Ms. Adriana Soto to consult further.

101. Subsequently, another revision of the draft decision was presented for consideration by the Board. Board members focused their comments on the terms of reference for a Private Sector Advisory Group, a Risk Management Committee and an Investment Committee. Several Board Members highlighted the need to make sure that the right composition and skill set of individuals are represented in the committees. The matter of CSO representation was also raised by some Board members. A Board member suggested that part of the criteria should relate to financial expertise and expressed that confidentiality agreements would also need to be in place together with adequate safeguards to manage any possible conflict of interest.

102. One Board member requested the inclusion of a reference to a future review of the structure that was being considered. The Co-Chairs requested that this be included in the terms of reference that will be considered by the Board at its next meeting.

103. One Board member stated that the PSF is a transformative element of the Fund and that the Board decision could have gone further in advancing the PSF's design. He also stated that some existing funds are well-advanced in their engagement with the private sector and that the Fund could draw upon their experience.

104. Following the discussion, the Board adopted the following decision:

DECISION B.04/08

The Board:

- (a) Decided that the Private Sector Facility will operate efficiently and effectively under the guidance and authority of the Board as an integral component of the Fund, including in relation to the result areas and specific core performance indicators, where relevant;*
- (b) Decided that the Private Sector Facility will address barriers to private sector investment in adaptation and mitigation activities, such as market failures, insufficient capacity and lack of awareness, in order to mobilize private capital and expertise at scale in accordance with national plans and priorities. This will include facilitating and enhancing the participation of national, regional and international private sector actors in developing countries;*
- (c) Recalled that, in line with the Governing Instrument, the Private Sector Facility will promote the participation of private sector actors in developing countries, in particular local actors, including small and medium sized enterprises and local financial*

intermediaries. The Facility will also support activities to enable private sector involvement in small island developing States and least developed countries. Modalities will be developed for consideration by the Board;

- (d) Acknowledged that private sector investment in general relies on readiness and enabling environments, the enhancement of which could be supported by the Fund at large;*
- (e) Emphasized the need for the Private Sector Facility to pay specific attention to Africa and to adaptation activities at the national, regional and international levels;*
- (f) Acknowledged the need to mobilize funds at scale from, inter alia, institutional investors, such as pension funds and sovereign wealth funds, and to design modalities to that end;*
- (g) Decided that the Private Sector Facility will seek efficient solutions that minimize market distortions and moral hazard in the use of the Fund's resources by using, inter alia, competitive processes;*
- (h) Decided that the Private Sector Facility will initially focus on grants and concessional lending and will also draw on a broad range of other financial instruments and modalities to achieve its objectives;*
- (i) Decided to establish a Private Sector Advisory Group that will make recommendations to the Board on Fund-wide engagement with the private sector and modalities to that end. The Private Sector Advisory Group will comprise two developing country Board members, two developed country Board members, up to four private sector representatives from developing countries and up to four private sector representatives from developed countries, up to two civil society representatives, subject to the criteria determined through the terms of reference. Requested the Interim Secretariat to submit draft terms of reference, bringing in the views of independent experts, and including the criteria for selection, term of office, and replacement of these members, for consideration by the Board at its September 2013 meeting, with a view to establishing the Private Sector Advisory Group at that meeting;*
- (j) Decided that an appropriate risk management framework will be developed, enabling the Fund to exert due diligence and manage its risks prudently. For this purpose, the Board decided to establish a Risk Management Committee, and requested the Interim Secretariat to submit draft terms of reference for consideration by the Board at its September 2013 meeting, drawing on independent expertise;*
- (k) Decided to establish an Investment Committee that will review investment proposals and instruments and recommend their approval in accordance with social and environmental safeguards and the Fund's objectives and the risk management framework. Requested the Interim Secretariat to submit draft terms of reference, taking into account delegating the appropriate level of final approval authority to the Committee, for consideration by the Board at its September 2013 meeting, drawing on independent expertise;*
- (l) Decided that the Private Sector Facility, in accordance with non-objection procedures and in order to ensure consistency with national climate strategies and plans and a country-driven approach:
 - (i) Will commence its operations through accredited national, regional and international implementing entities and intermediaries; and*
 - (ii) May over time work directly with private sector adaptation and mitigation actors at the national, regional and international levels, subject to consideration by the Board of a phased approach.**

F. Structure and organization

105. A representative of the Interim Secretariat introduced document GCF/B.04/08 *Business Model Framework: Structure and Organization*.
106. The Co-Chairs presented a draft decision for the consideration by the Board.
107. In the discussion, Board members expressed their respective preferences for the various options presented in the document. Several Board members highlighted that there should be a flexible and evolutionary process for the structure and organization of the independent Secretariat aimed at achieving an effective and efficient structure over time. A number of Board members stated their preference for inviting the newly selected Executive Director to contribute to the development of an appropriate Secretariat structure.
108. A Board member suggested that it would be appropriate to consider a hybrid of the various options contained in the document.
109. A Board member expressed support for Option 1, suggesting that country ownership could be integrated.
110. Many Board members expressed their support for Option 2. A range of suggestions were made to modify Option 2 to better reflect the views of Board members. A Board member expressed support for a specific country ownership unit to improve access, with the ability to interact with mitigation and adaptation units. A Board member suggested that country ownership should be integrated into both mitigation and adaptation units. A Board member highlighted that it was important to have country ownership and country strategies that allow for the design of programmes and identification of policies that would help the implementation of activities.
111. Several Board members suggested that, in the short-term, Option 2 would provide more focus and cost-effectiveness, and that in the long-term, Option 3 could have more merit. In this regard, the experience of multilateral banks was considered relevant, given that most had started with thematic units but evolved to having geographic units.
112. A Board member suggested that the structure should include a country-specific unit with special sub-units for least developed countries (LDCs) and small island developing States (SIDS). He stated that a country-specific unit should sit in parallel with the adaptation and mitigation units.
113. Several Board members proposed a separate resource mobilization unit. One Board member stated that the focus should not be on a unit especially dedicated to resource mobilization but rather on staff with expertise in donor funding and mobilization of resources from the private sector.
114. A Board member did not support a separate unit for the PSF and suggested that the appropriate placement of the PSF in the Secretariat's structure was an important issue. A Board member stressed that the adaptation and mitigation windows could not be seen in isolation from the PSF and that linkages between windows were needed.
115. Some Board members emphasized the need to focus on capacity building for developing countries, in particular on readiness and preparatory support.
116. A Board member stated that the decision regarding structure and organization needed to allow for future review, leaving enough flexibility for the Fund to evolve. He also suggested that the Fund would need to work more directly with countries and private sector actors, and should employ individuals who have a broad vision and strategic capabilities in order to distinguish itself from the existing climate finance architecture.

117. Two Board members expressed their preference for Option 4, but recognized the merits of the elements in Options 1 and 2. They indicated that Option 4 would allow the Fund to build technical skills that would be relevant if the Fund were to operate as a retail fund in the future.

118. A number of statements and questions were made with regard to the independent evaluation unit and independent integrity unit. Several Board members stated that the independent evaluation unit should be separate from the Secretariat. A Board member had a specific question relating to the difference between the accreditation panel and accreditation unit. A representative of the Interim Secretariat answered that the panel is meant to have an advisory function, whereas the unit was intended to be part of the independent Secretariat and would manage the accreditation process.

119. A Board member highlighted the need for the Board to draw on independent technical advice and indicated that the Board should have access to such advice.

120. Some Board members suggested that the committees to be established by the Board should have decision-making authority under the guidance of the Board. A Board member stressed that it should be made clear that final decisions on matters taken up by the committees rest with the Board. Several Board members stated that the committees established by the Board do not necessarily need to follow the structure of the Secretariat. Some Board members suggested that a document that would provide further detail on possible options for the establishment and work of the committees should be prepared.

121. The PSO active observer from CMIA expressed support for Option 2 and highlighted that private sector engagement needs to occur across all windows. He stated that the private sector is supportive of country ownership but remained neutral on the idea of a specialized unit for this, and finally expressed support for a resource mobilization unit.

122. The CSO active observer from the Third World Network stated that discussion on the structure of the Fund and that of the Secretariat should be separated. She added that the main principle should be that form should follow function. She disagreed with the view that the PSF should be separate from other units. She expressed concern about the possible delay in establishment of the independent evaluation and integrity units and added that the independent redress mechanism should not sit within the independent integrity unit. She stressed that capacity building and country support should be considered a core function of the Secretariat and be staffed accordingly. She supported the effective engagement of the Secretariat with CSOs and multi-stakeholder engagement within countries.

123. The Co-Chairs subsequently presented the revised draft decision. Board members suggested a number of amendments to the proposed revised draft decision.

124. A Board member requested that the report of the meeting should make explicit reference to the request from several Board members to have a separate resource mobilization unit.

125. Following the discussion, the Board adopted the following decision:

DECISION B.04/09

The Board:

- (a) *Noted convergence that the initial structure and organization of both the Fund and the Secretariat should be thematic, with a Private Sector Facility, a strong country and programmatic focus, internal coherence and linkages, and the flexibility to evolve over time;*
- (b) *Requested the Executive Director, with the support of the Interim Secretariat, to prepare for consideration by the Board at its September 2013 meeting, an initial structure that can be scaled up, organizational diagrams and a staffing table covering the core, operating*

and other relevant functions of a flexible and efficient Secretariat, as well as the cost, procedure, timeframe and process for implementing the proposed structure and organization, based on the views expressed by the Board during its June 2013 meeting;

- (c) Agreed to consider, at its September 2013 meeting, the establishment and terms of reference of permanent and ad hoc committees of the Board that will assist the Board in fulfilling its roles and functions;*
- (d) Agreed to consider, at its first meeting in 2014, mechanisms to draw on appropriate expert and technical advice, including independent scientific and technical advice and from the other relevant thematic bodies, for the Board;*
- (e) Recognized that the Fund will have a Trustee with administrative competence to manage the financial assets of the Fund, in accordance with the Governing Instrument;*
- (f) Established independent evaluation and integrity units and an independent redress mechanism in accordance with the Governing Instrument;*
- (g) Agreed to consider, at its first meeting in 2014, the terms of reference of the independent evaluation and integrity units and the independent redress mechanism.*

Agenda item 6: Additional rules of procedure of the Board

A. Information disclosure, including webcasting

126. A representative of the Interim Secretariat introduced document GCF/B.04/10 *Information Disclosure, including Webcasting*.

127. Some Board members stated that live webcasting would increase the transparency of Board work and the Fund in general. Some Board members expressed their concern about the lack of control over who follows such broadcasting and proposed that a registration process be introduced. Some Board members stated that posting recordings of Board proceedings on the Fund's website would serve the same purpose as live broadcasting, but would be cheaper. A Board member proposed that the matter should be reviewed in the future in light of experience gained and the usage statistics of the service.

128. Various questions were raised regarding the cost of webcasting. It was stated that the document indicated higher costs than those incurred by the Adaptation Fund. A representative of the Interim Secretariat clarified that the cost for the Adaptation Fund reflected the costs in Bonn, Germany, where equipment is readily available, and that the cost estimates were valid for different locations globally. Costs of live webcasting for a Board meeting in Songdo would decrease if the equipment was made available at the Fund's Headquarters.

129. Following the discussion, the Board adopted the following decision:

DECISION B.04/10

The Board, having reviewed document GCF/B.04/10 Information Disclosure, including Webcasting,

- (a) Decided to adopt a negative list approach for the long-term structure of the Fund's information disclosure policy, but to use a simplified information disclosure practice in the interim, while the negative list approach is being developed;*
- (b) Requested the Interim Secretariat to prepare a draft interim information disclosure practice for consideration by the Board at its September 2013 meeting;*
- (c) Requested the independent Secretariat to develop in 2014 a comprehensive draft information disclosure policy based on the negative list approach;*

- (d) *Decided that full, non-executive sessions of the Board will be subject to recording, and those recordings will be made available on the website of the Fund, through registration only, within three weeks of each Board meeting, and to review the matter in light of experience gained and the usage statistics of the service.*

B. Participation of advisers

130. A representative of the Interim Secretariat introduced document GCF/B.04/11 *Participation of Advisers in Board Proceedings*.

131. Several Board members highlighted the importance of funding for the travel costs of advisers attending Board meetings. One Board member sought further clarification regarding the practices of other funds. A representative of the Interim Secretariat informed the Board that no in-depth analysis of this matter had been carried out. A Board member informed the Board that the Multilateral Fund for the Implementation of the Montreal Protocol funds the travel costs of advisers to its Executive Committee meetings.

132. A Board member sought clarification on whether advisers should be allowed to be present in the Board room in the absence of their Board member or alternate member. The Co-Chairs noted that this was current practice.

133. Following the discussion, the Board adopted the following decision:

DECISION B.04/11

The Board, having reviewed document GCF/B.04./11 Participation of Advisers in Board Proceedings,

- (a) *Adopted the Guidelines on the participation and conduct of advisers in Board meetings as set out in Annex I to this report;*
- (b) *Requested the Interim Secretariat to publish the Guidelines on the Fund's website;*
- (c) *Decided to implement Option 2 as presented in paragraph 18 of document GCF/B.04/11 ('Funding would be provided from the administrative budget of the Fund for the travel costs associated with Board meetings of one designated adviser per eligible developing country Board member and alternate member') as the basis for providing funding for the participation of adviser travel to meetings of the Board until the adoption of the Fund's overall travel policy, and requested the Interim Secretariat to reflect this in the Fund's overall travel policy.*

C. Voting rules

134. The Board took note of the information presented in document GCF/B.04/12 *Voting Procedures for the Board*, and intends to further consider the options outlined in the document.

Agenda item 7: Arrangements between the Conference of the Parties and the Fund

135. The Co-Chairs introduced the agenda item and referred to the letter by the Co-Chairs of the Standing Committee on Finance that was distributed in advance of the meeting. The Co-Chairs reported that, due to a lack of progress by the Standing Committee on Finance, the discussion on this matter would be postponed and taken up at the next Board meeting.

136. The Board adopted the following decision:

DECISION B.04/12

The Board:

Requested the Co-Chairs to continue consulting with the Co-Chairs of the Standing Committee on Finance and to develop the draft arrangements between the Conference of the Parties and the Fund for the consideration by the Board at its September 2013 meeting.

Agenda item 8: Logo of the Fund

137. A representative of the Interim Secretariat introduced document GCF/B.04/16 *Process for the selection of the Logo of the Fund*.

138. A Board member expressed his view that a financial reward would have been appropriate as part of the competition. He also stated that the Logo Selection Panel should include a representative of the host country of the Fund.

139. The Co-Chairs suggested that the Logo Selection Panel should comprise four Board members/alternate members and proposed their names.

140. The PSO active observer from CMIA proposed the name of the private sector representative on the Panel, while the CSO active observer from the Third World Network stated that they would propose the name of a civil society representative following further consultations.

141. A representative of the Interim Secretariat informed that the Selection Panel would need to convene by mid-July 2013.

142. Following the discussion, the Board adopted the following decision:

DECISION B.04/13

The Board:

(a) *Took note of the extended deadline for submissions of 28 July 2013;*

(b) *Constituted the Selection Panel, whose work will be supported by the Interim Secretariat, comprising:*

(i) *The following four members/alternate members of the Board:
Ms. Ana Fornells de Frutos, Mr. Hong-Sang Jung, Mr. Adam Kirchknopf,
Mr. Farrukh I. Khan;*

(ii) *[...] as the representative of civil society;²*

(iii) *Mr. Miles Austin (CMIA) as the representative of the private sector;*

(iv) *A well-known graphic designer with substantial experience in designing logos; and*

(v) *The Director of the Interim Secretariat.*

(c) *Requested the Interim Secretariat, under the guidance of the Co-Chairs, to identify a well-known graphic designer referred to in paragraph (b) (iv) above, and to invite him/her to become a member of the Panel on a pro-bono basis;*

² To be nominated by the civil society active observers.

- (d) *Authorized* the Selection Panel to establish a set of criteria to evaluate the entries and take a decision based on these pre-determined criteria and to hold meetings, arranged with the assistance of the Interim Secretariat, as necessary for the conduct of its work;
- (e) *Requested* the Interim Secretariat, in accordance with the terms and conditions of the competition, to present a shortlisted set of 100 entries to the Selection Panel;
- (f) *Requested* the Selection Panel to assess the entries, and make a recommendation on the successful logo to the Board at its September 2013 meeting.

Agenda item 9: Communication strategy

143. The Co-Chairs introduced the agenda item. A representative of the Interim Secretariat introduced document GCF/B.04/13 *Concept Note on the Development of a Communication Strategy*.

144. A Board member noted that it would be preferable to have the communication strategy ready before the time proposed in the document. A representative of the Interim Secretariat clarified that the process and timeline for the preparation of the strategy are dependent on the ability to employ consultant(s) to work on it in time for the next meeting, given the required procurement procedure. The Board member requested that the extended outline of the strategy foreseen in the timeline be presented for the next Board meeting. The Co-Chairs confirmed that this request would be followed if the procurement process could be concluded in time.

145. A Board member asked whether Board input would be welcomed during the development of the strategy, and suggested that the Fund engage people who – by virtue of their reputation – could champion the Fund. The Co-Chairs clarified that such input would be sought.

146. Following the discussion, the Board adopted the following decision:

DECISION B.04/14

The Board, having reviewed document GCF/B.04/13 Concept Note on the Development of a Communication Strategy,

- (a) *Decided* to extend the timeframe for the completion of the communications strategy from September 2013 to the first Board meeting in 2014;
- (b) *Approved* the terms of reference for the development of a communication strategy, contained in Annex II to this report;
- (c) *Requested* the Interim Secretariat, under the guidance of the Co-Chairs, to develop the communications strategy with the assistance of a consultant or consultants, on the basis of the terms of reference in Annex II to this report, for the consideration by the Board at its first meeting in 2014;
- (d) *Acknowledged* that US\$ 35,000 from the administrative budget of the Fund for the period from 1 November 2012 to 31 December 2013 may be used for the completion of the work planned for 2013, as set out in Annex II to this report;
- (e) *Further requested* the Interim Secretariat to allocate US\$15,000 from the administrative budget for the period commencing on 1 January 2014 to be used for the completion of the work planned in 2014, as set out in Annex II to this report.

Agenda item 10: Relationship with the thematic bodies under the United Nations Framework Convention on Climate Change and external bodies

147. The Co-Chair introduced the agenda item. A representative of the Interim Secretariat introduced document GCF/B.04/14 *Relationship with UNFCCC and External Bodies* and the draft decision contained in Annex I to that document.

148. A Board member suggested that the Standing Committee on Finance should be included in the list of entities to be invited to take up observer status with the Fund. However, the Co-Chairs and a representative of the Interim Secretariat explained that the Standing Committee on Finance would not need to take up observer status with the Fund because it is a thematic body under the UNFCCC.

149. A Board member requested that the Multilateral Fund for the Implementation of the Montreal Protocol also be invited to take up observer status with the Fund and reiterated that UNFCCC bodies should not be considered external bodies.

150. A Board member inquired whether the activities of the entities referenced in the draft decision in relation to their observer status would be at their own cost. This was confirmed in the affirmative by the Co-Chairs.

151. Following the discussion, the Board adopted the following decision.

DECISION B.04/15

The Board:

- (a) *Decided that, in the short term, the Fund should commence its engagement with UNFCCC thematic bodies, with a view to reassessing this engagement as the Fund and UNFCCC thematic bodies evolve;*
- (b) *Requested the Interim Secretariat to invite the Global Environment Facility Secretariat, the Adaptation Fund and the Climate Investment Funds to take up observer status with the Green Climate Fund;*
- (c) *Further requested the Interim Secretariat to engage informally with other external bodies by exchanging information, as required.*

Agenda item 11: Status of resources

152. A representative of the Interim Secretariat introduced document GCF/B.04/Inf.03. A representative of the Interim Trustee provided an update on the status of resources in the GCF Trust Fund after 1 April 2013 and also explained that a transfer of US\$ 2 million was made to the Interim Secretariat.

153. The Board member from Sweden informed the Board that Sweden was making an additional contribution to the equivalent of US\$ 750,000.

154. The Board took note of document GCF/B.04/Inf.03.

Agenda item 12: Co-Chairs

155. The Co-Chairs reminded the Board that, at its first meeting on 23-25 August 2012 in Geneva, Switzerland, the Board elected Mr. Zaheer Fakir (South Africa) and Mr. Ewen McDonald (Australia) as Co-Chairs to serve for the period of one year. They also reminded the meeting that

the one year co-chairmanship term would expire on 23 August 2013 and that a decision on the next Co-Chair term would need to be taken accordingly.

156. A number of Board members expressed their satisfaction with the way the Co-Chairs have been carrying out their work. Many Board members stated they would support the extension of the Co-Chairs' term for one more year or at least for the duration of the next meeting.

157. The Co-Chairs thanked those Board members and alternate members whose term expires on 23 August 2013 for their work, and thanked all Board members and alternate members for their support for the work of the Co-Chairs.

158. A Board member reminded the Board that there will be four new Board members from the Asia-Pacific region starting in August 2013, and informed the Board that there will potentially be one candidate from Asia-Pacific for the Co-Chair role, but that the final decision on this nomination could only take place at the next Board meeting. He proposed that the election of the Co-Chairs take place at the next meeting.

159. Co-Chair Mr. Ewen McDonald stated that he would be willing to serve as the Co-Chair in the period between 23 August 2013 and the next Board meeting on the proviso that he would also co-chair the next meeting, in order to ensure the continuity of preparatory work and work at the meeting.

160. A representative of the Interim Secretariat provided a legal interpretation of paragraph 7 of the Rules of Procedure on the term of the Co-Chairs.

161. Following consultations, the Board agreed that the Co-Chairs should continue their functions in the lead-up to and for the duration of the next Board meeting, and that the election of the Co-Chairs be scheduled for the end of its third meeting in 2013. The Board adopted the following decision:

DECISION B.04/16

The Board:

- (a) *Decided that the election of the Co-Chairs be scheduled for the end of its third meeting in 2013;*
- (b) *Further decided that the current Co-Chairs will continue their functions for the duration of that meeting.*

Agenda item 13: Other business

162. The Co-Chairs referred to the Board's previous decision on the dates for the third meeting of the Board in the year 2013. The Board member from France offered to host the meeting in Paris. The Co-Chairs informed the Board of the offer by the Philippines to host the third Board meeting in 2013 and the offer from Indonesia to host the first meeting in 2014. They thanked those countries for their offers and informed them that official letters as responses to these offers would be sent to them.

163. Following the discussion, the Board adopted the following decision:

DECISION B.04/17

The Board:

- (a) *Decided that its third meeting in the year 2013 will take place in Paris, France;*

(b) *Authorized the Co-Chairs, together with the Interim Secretariat and the country hosting the meeting, to change the dates of that meeting (4-6 September 2013, with preparatory meetings on 3 September 2013) to later dates in late September or early October 2013, if possible, and inform the Board accordingly.*

164. The Co-Chairs thanked Mr. Ajay Mathur, who is leaving the Interim Secretariat on 5 July 2013, for his contribution to the work of the Interim Secretariat.

165. One Board member proposed that the issue of gender be reflected in the documents on the business model framework of the Fund. This view was endorsed by another Board member. The Co-Chairs informed the Board that this matter will be placed on the agenda of the next meeting.

166. A representative of the Interim Secretariat informed the Board of the short timeframe between the second and the third Board meetings in 2013 and the heavy workload associated with the preparations for the third meeting. He noted that the Board had decided to consider several matters at its next meetings, and that the Interim Secretariat would prepare brief documents on these matters that would be geared towards decision-making.

167. A Board member requested that an update be provided on the engagement of observers, including the support provided by the Interim Secretariat to observer organizations.

168. The Co-Chairs introduced the draft decision on the travel of advisers. The Board adopted the following decision:

DECISION B.04/18

The Board:

Authorized the Interim Secretariat to provide from the administrative budget of the Fund the travel costs for the most direct and economical route associated with Board meetings of one designated adviser per eligible developing country Board member and alternate member.

Agenda item 14: Report of the meeting

169. The Co-Chairs presented a document containing the decisions adopted by the Board during the meeting (document GCF/B.04/Drf.01 *Decisions of the Board – Fourth Meeting of the Board, 26-28 June 2013*).

170. The Board approved document GCF/B.04/Drf.01, with an amendment. The Board requested the Interim Secretariat to finalize the document and post it on the Fund's website (subsequently issued as document GCF/B.04/17 *Decisions of the Board – Fourth Meeting of the Board, 26-28 June 2013*).

171. The Co-Chairs informed the Board that the draft report of the meeting (document GCF/B.04/Drf.02) would be circulated to the Board electronically for comments.

Agenda item 15: Closure of the meeting

172. The meeting was closed on 28 June 2013.

Annex I: Guidelines on the participation and conduct of advisers in Board meetings

I. Designation and attendance of advisers at Board meetings

1. Paragraph 2 (b) of the Rules of Procedure defines an “Adviser” as follows:

“2 (b) “Adviser” means an expert providing advice to a member and/or alternate member during or in connection with Board meetings;”

Moreover, paragraphs 25 and 28 of the Rules of Procedure state that:

“25. In addition to Board members and alternate members, meetings of the Board, other than executive sessions, will be open to attendance by designated advisers of Board members and alternate members, Secretariat staff, representatives of the Trustee, active observers and other observers who have been accredited for participation in the meeting.”

“28. In exceptional circumstances, the Board may conduct its business in closed executive session where, unless decided otherwise by the Board, only Board members and alternate members, the Executive Director, advisers, and such other persons authorized or requested by the Board to attend, may be present.”

2. Seating for advisers will be provided behind the alternate member or, in the case of no attendance by the alternate member, behind the Board member.

3. One adviser per Board and alternate member will be allowed in the Board meeting room to observe Board proceedings at any one time.

II. Representation of advisers in committees, sub-committees, panels and working groups

4. Paragraphs 1 and 30-32 of the Rules of Procedure define the composition of Board committees, sub-committees, panels and working groups:

“1. These rules of procedure shall apply to the conduct of business of the Board of the Green Climate Fund and mutatis mutandis, and except as decided otherwise by the Board, to committees and subcommittees, panels and working groups established by the Board.”

“30. The Board may establish such committees from among its members and/or alternate members, and such panels as may be required for the conduct of its business.

31. Committees shall assist the Board in its decision-making, and shall exercise any delegated authority under the overall authority and direction of the Board, which may revoke such delegated authority under the same procedures in place for the original delegation of authority. Except for standing committees, all committees established ad hoc should have a clearly defined timeline and end date, related to the execution of its functions and should be subject to review at regular intervals.

32. The Board may establish, on permanent or temporary basis, technical and expert panels to assist it in the performance of its functions. Technical or expert panels may include but need not be limited to Board members and alternate members. They generally shall have advisory functions only.”

5. In accordance with these provisions, advisers may be appointed to technical and expert panels established by the Board provided that they are eminent specialists in a given field, but may not form part of Board committees and sub-committees. The Rules of Procedure do not contain any provision on the composition of working groups. Thus, the Board may decide, if circumstances so warrant, to include advisers in working groups.

III. Conduct of advisers

6. Board members and alternate members are accountable for the conduct of their respective adviser/s during, and in connection with, Board meetings.

7. The Rules of Procedure, in paragraphs 18 and 21, only refer to Board members and alternate members in relation to notification of meeting and transmittal of documents:

“18. The Secretariat will notify Board members, alternate members and accredited observer organizations and active observers of the dates and venue of the meetings and circulate a provisional agenda for any meeting at least 30 calendar days before the first day of the meeting. A notification will also be posted on the Fund’s website. In the case of an extraordinary meeting, the Co-Chairs, acting jointly, shall determine the date by which notification to the Board members has to be made, taking into account the urgency of the matter.”

“21. The Secretariat will transmit to Board members and alternate members the documentation relating to items on the provisional agenda at least 21 calendar days before the first day of the meeting scheduled, except in case of extraordinary meetings and in exceptional circumstances where, in the view of the Co-Chairs, a shorter period for the transmission of documentation is warranted. In any such cases, the Co-Chairs, acting jointly, shall determine the date by which the said documentation has to be transmitted.”

8. Each Board member or alternate member will decide whether to provide their adviser/s access to documents or information, except for documents that are confidential and expressly restricted to Board members and alternate members.

Annex II: Terms of reference for the development of a communication strategy

I. Context

1. The Green Climate Fund is a new multilateral fund that was agreed by Parties under the United Nations Framework Convention on Climate Change. The Fund's purpose is to make a significant and ambitious contribution to the global effort to limit global temperature increases to 2° Celsius by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.
2. The Board decided that the Fund requires a comprehensive communication strategy in order to help it achieve its objectives.
3. Since its inception, the Fund has been subject to increasing levels of interest from a range of stakeholders, including developing and developed country governments, project implementers, media, civil society, and the private sector. This attention is likely to increase as the Fund moves to establish its headquarters in Songdo, Republic of Korea, and approaches its operationalization.
4. The Board is currently faced with the challenge of delivering rapid operationalization while, at the same time, ensuring that frameworks and policies are put in place to deliver an efficient and effective Fund. The Fund's communication strategy should seek to ensure that both these goals are understood and that the Board's approach is seen as credible by external stakeholders.
5. The communication strategy should identify levers for attracting funds, and address how external communications could generate stakeholder interest in this regard.
6. Finally, as the Fund moves to disbursing and channelling funds, the communication strategy will need to promote awareness of successful projects, and highlight the ongoing work of the Fund in supporting initiatives to address climate change.
7. The Fund's communication strategy should be based on, and evaluated against, the extent to which it helps the Fund to achieve its objectives.
8. The communication strategy should develop clear objectives, set specific targets, and identify the tools and activities which will need to be executed. A proactive communication strategy should be closely linked to the Board's work plan during all of these stages.

II. Terms of reference

2.1 The scope of work required includes:

- (a) Communication review, including an analysis of the current perception of the Fund and its Board among key constituencies and stakeholders;
- (b) Mapping of the communication strategies, relationships, and outputs of other comparable international institutions;
- (c) Mapping of stakeholder and target audiences;
- (d) Establishing objectives and priorities for the Fund's communication;
- (e) Key messages for the Fund's external communications (including recommendations for preferred communication channels);

- (f) Overview of proposed communication activities, including baseline components, with associated resource and capacity implications; and additional “added value” components, also with resource and capacity implications;
- (g) Establishing a procedure for internal organization and planning of communication activities, including managing information flows between the Board, (Interim) Secretariat and consultant; and
- (h) Establishing tools for evaluation of the communication strategy.

2.2 Timeline and deliverables for the strategy

- (a) Concept note and terms of reference approved (June 2013);
- (b) An outline strategy document, for the consideration by the Co-Chairs (August 2013);
- (c) A draft communication strategy, which should include the elements outlined in the scope of work, for the consideration by the Co-Chairs (December 2013); and
- (d) Final draft communication strategy presented for approval at the first Board meeting in 2014.

2.3 Consultancy support

9. The Interim Secretariat will engage external consultancy support to assist in delivering this work. A consultant or consultants will be selected, through a competitive process, from a short-list of communication experts established following the procedure outlined in Annex III to this report.

10. The work will be contracted through two contracts since the current spending authority is limited to 31 December 2013. The first contract will encompass the delivery of the draft communication strategy by December 2013. The second contract, for the final deliverable, would be entered into after the spending authority for 2014 is approved by the Board.

Annex III: Invitation to communication consultants to register with Fund's roster of consultants

I. Context

1. The Green Climate Fund is a new multilateral Fund that was agreed by Parties under the United Nations Framework Convention on Climate Change. The Fund's purpose is to make a significant and ambitious contribution to the global effort to limit global temperature increases to 2° Celsius by providing support to developing countries to limit or reduce their greenhouse gas emissions and to adapt to the impacts of climate change.

II. Invitation to register

2. The Green Climate Fund anticipates engaging external communication experts to assist with various aspects of its communication. Experts will be recruited from the Fund's or the UNFCCC roster of consultants, according to the needs of specific communication projects. Communication needs may include providing support in drafting a communication strategy for the Fund, or providing support in the execution of various parts of that strategy.

3. Services will be required on a short-term basis to provide outside expertise, special skills or knowledge not available from regular staff of the Interim Secretariat and for which there is no continuing need.

4. Whenever relevant opportunities arise, potential candidates with the required expertise will be identified and contacted.

5. Interested consultants with an expertise in communication are invited to register with the Fund's roster of consultants: <http://gcfund.net/secretariat/consultant-roster.html>.

Annex IV: Selection of the Executive Director – Decision-making process to be used in the event that the Board cannot otherwise reach consensus

The Board will employ the following process in the event that it is otherwise unable to reach consensus on which candidate to appoint to the position of Executive Director (ED) of the Fund at its meeting from 25 to 28 June 2013 in Songdo, Republic of Korea.

This approach recognizes that the three candidates reflect a good balance of necessary skills and leadership qualities to guide the establishment of the independent Secretariat and that no further selection procedures for an ED are necessary.

A. The Co-Chairs will determine whether or not consensus has been reached

- (a) The Co-Chairs will undertake consultations to determine whether or not consensus amongst Board members has been reached on which candidate to appoint to the ED position.
- (b) The Co-Chairs will make a determination and advise the Board as to whether or not consensus has been reached.
- (c) If consensus has not yet been reached, the following process will be employed by the Board to select by consensus a candidate to appoint to the position.

B. A series of confidential ballots will determine the successful candidate

- (a) Upon determination by the Co-Chairs that consensus has not yet been reached, a series of confidential ballots of Board members will determine the successful candidate.
 - (b) The Co-Chairs will verify the existence of a quorum¹ at the beginning of the selection process.
 - (c) One or both of the respective heads of the secretariats of the United Nations Framework Convention on Climate Change (UNFCCC) and the Global Environment Facility (GEF), or their representative(s), will preside over the ballot.
 - (d) Each Board member will be permitted one ballot in each round.
 - (e) Each Board member will mark their highest preference candidate only (ballots with more than one tick/check mark will be disqualified and not counted).
 - (f) Following the first round of balloting, the candidate with the least support will be eliminated.
 - (g) In the second round of balloting, for the remaining two candidates, each Board member will mark his/her highest preference candidate only (ballots with more than one tick/check mark will be disqualified and not counted).
 - (h) Following the second round, the candidate with the least support will be eliminated. If the remaining candidate has received at least two-third majority, that candidate will have been selected as the successful candidate. Otherwise, a third round will be held.
 - (i) In the third round, if the remaining candidate has received at least a two-third majority in that round, he/she will be deemed to have received Board support.
 - (j) In the event of a tie in either round of balloting, the balloting process will be repeated until a majority is reached.
 - (k) This process will not set a precedent for future decision-making by the Board.
-

C. Participation in the selection process

- (a) All Board members¹ present will participate in the selection process.
- (b) Presence in the Board room during the selection process will be restricted to all Board members, one or both of the respective heads of the secretariats of the UNFCCC and the GEF, or their representative(s), and a limited number of Interim Secretariat staff to manage logistics.
- (c) All people present in the room will sign a declaration of confidentiality requiring them to not divulge any of the results of the ballot rounds, other than the name of the successful candidate.

D. Set-up of the room

- (a) The use of electronic devices will not be permitted during the selection process.
- (b) Board members will be requested to place all electronic devices in a designated receptacle immediately prior to the commencement of the selection process.
- (c) No interruptions will be allowed during the selection process.

E. Ballot papers

New ballot papers will be printed for each round of the selection process. The sequence of candidates on the ballot paper will be determined using a randomizer tool.

F. Ballot box

The presiding officer(s) 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.

G. Casting of ballots

- (a) Each Board member will cast one ballot in each ballot round.
- (b) 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.

H. Rules during and between ballots

All present in the meeting room during the selection process will be requested to remain in the room, maintain silence and remain seated when they are not casting their ballots.

I. Counting of ballots

- (a) Two staff members of the Interim Secretariat will count the scores after each round of balloting and one further member of the Interim Secretariat will act as an observer.
 - (b) The counting will be conducted in the Board meeting room, but in private on a secluded table.
 - (c) The scores will not be revealed at any point.
-

- (d) The original ballot papers will be marked as confidential, sealed and retained by the Interim Secretariat. They will be passed onto the independent Secretariat for the record.

J. Announcement of results

The presiding officer(s) will announce to the Board the result of each ballot round, without revealing the scores for each candidate. After the second round, the presiding officer(s) will announce whether either of the candidates received two-third majority. After the third round, the presiding officer(s) will announce whether the final candidate received two-third majority.

K. Consensus

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

L. Advice to candidates

- (a) While the Board remains in the Board room, the Co-Chairs will leave the room to place a call to the successful candidate to advise her/him of their selection.
- (b) The Co-Chairs will then place calls to the two unsuccessful candidates to advise them of the outcome.
- (c) The Co-Chairs will return to the Board room to report back on the calls and close the session.

Annex V: Decisions taken between meetings

DECISION B.BM-2013/01

The Board, through a decision taken between meetings on a no-objection basis:

Approved the accreditation of following organizations as observer organizations with the Fund:

International entities:

African Union

Agence Française de Développement (AFD)

Asian Development Bank (ADB)

European Bank for Reconstruction and Development (EBRD)

European Investment Bank (EIB)

Inter-American Development Bank (IADB)

International Civil Aviation Organization (ICAO)

International Finance Corporation (IFC)

International Fund for Agricultural Development (IFAD)

South Centre

United Nations Development Programme (UNDP)

World Health Organization (WHO)

World Meteorological Organization (WMO)

Civil society organizations:

ActionAid International

Asia Indigenous People Pact Foundation (AIPP)

Asociación Ambiente y Sociedad

Asociación Interamericana para la Defensa del Ambiente (AIDA)

Ateneo de Manila University (AdMU)

Both ENDS Foundation

Caucasus Environmental NGO Network (CENN)

Center for International Environmental Law, Inc. (CIEL)

Center for the Study of Law, Justice and Society (De Justicia)

Centre d'accompagnement des autochtones pygmées et minoritaires vulnérables (CAMV - International)

Centre for 21st Century Issues (C21st)

Centre for Community Economics and Development Consultants Society (CECOEDECON)

Centre for European Policy Studies (CEPS)
Climate Action Network e.V. (International) (CAN International)
Climate Analytics
Climate Policy Initiative (CPI)
Derecho, Ambiente y Recursos Naturales (DAR)
Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ)
Earth Peoples
Energy, Environment and Development (ENDA)
Equidad de Género
Friends of the Earth International
Fundación Centro Estudios Ecológicos de la Republica Argentina (FUCEERA)
Germanwatch
Global Alliance for Incinerator Alternatives (GAIA)
Global Environment Centre (GEC)
Global Forest Coalition (GFC)
Global Network for Environment and Economic Development Research
Green Club
Greenpeace
Heinrich Böll Foundation
Human and Environmental Development Agenda (HEDA Resource Centre)
IBON International Foundation, Inc.
ICLEI – Local Governments for Sustainability
Institute for Climate and Sustainable Cities (iCSC)
Institute for Policy Studies
International Rivers
International Trade Union Confederation (ITUC)
International Union for Conservation of Nature (IUCN)
Jeunes Volontaires pour l'Environnement (JVE)
Jubilee South - Asia Pacific Movement on Debt and Development (JSAPMDD)
Keystone Foundation
Kitanglad Integrated NGOs, Inc. (KIN)
Maleya Foundation
Network of Sustainable Livelihood Catalysts, Inc.
Niger Delta Women's movement for Peace and Development (NDWPD)
Overseas Development Institute (ODI)
Oxfam

Oxford Climate Policy

Pakistan Fisherfolk Forum (PFF)

Pan African Climate Justice Alliance (PACJA)

Sierra Club

Taiwan Youth Climate Coalition

Tebtebba Foundation

Third World Network

Transparency International

Women's Environment and Development Organization (WEDO)

World Future Council Foundation

World Resources Institute

Zambia Climate Change Network (ZCCN)

Private sector organizations:

Air Transport Action Group (ATAG)

Climate Markets and Investment Association (CMIA)

ECOFYS Germany GmbH

Federation of German Industries (BDI)

Indufor Oy

International Air Transport Association (IATA)

Selco Solar Light Pvt. Ltd.

United States Council for International Business (USCIB)

World Business Council for Sustainable Development (WBCSD)

DECISION B.BM-2013/02

The Board, through a decision taken between meetings on a no-objection basis:

Approved a partnership between the Fund and Caribbean Development Bank (CDB) and the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) for the purpose of organizing a workshop on readiness and preparatory support, to be held in Barbados in July 2013.

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

Mr. Bambang Brodjonegoro

Mr. Arnaud Buisse

Mr. Per Callesen

H.E. Mr. Jan Cedergren

Mr. Dipak Dasgupta

Mr. Nicholas Dyer

Mr. Omar El-Arini

Mr. Zaheer Fakir (Co-Chair)

Ms. Ana Fornells de Frutos

H.E. Ms. Audrey Joy Grant

Ms. Beata Jaczewska

Mr. David Kaluba

Mr. Manfred Konukiewicz

Mr. Kjetil Lund

Mr. Ewen McDonald (Co-Chair)

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 S. Salceda

Mr. Richard Doornbosch

Mr. Farrukh Khan

Mr. Josceline Wheatley

Ms. Ludovica Soderini

Mr. Gabriel Quijandria

Mr. Hong-Sang Jung

Mr. Mesbah Ul Alam

H.E. Mr. Ali'ioaiga Feturi Elisaia

Mr. Jorge Alberto Ferrer Rodriguez

Mr. Adam Kirchknopf

Mr. Norbert Gorissen

Mr. C. Alexander Severens

Mr. Anton Hilber

Mr. Rod Hilton

Mr. Yuji Tsujiki
