

Green Climate Fund

Draft Arrangements between
the Conference of the Parties
to the UNFCCC and the Green
Climate Fund

GCF/B.05/17

19 September 2013

Meeting of the Board

8-10 October 2013

Paris, France

Agenda item 10

Recommended action by the Board

It is recommended that the Board:

- (a) Takes note of the information presented in document GCF/B.05/17 *Draft Arrangements between the Conference of the Parties to the UNFCCC and the Green Climate Fund*; and
- (b) Provides guidance on the arrangements between the Conference of the Parties to the UNFCCC and the Green Climate Fund; and
- (c) Adopts the draft decision presented in Annex I to this document.

Draft arrangements between the Conference of the Parties to the UNFCCC and the Green Climate Fund

I. Introduction

1. Article 11 of the United Nations Framework Convention on Climate Change (UNFCCC) defines a financial mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology. It states that this mechanism shall function under the guidance of and be accountable to the Conference of the Parties (COP), which shall decide on its policies, programme priorities and eligibility criteria relating to the Convention. Paragraph 3 of Article 11 further provides that the COP and the entity or entities entrusted with the operation of the financial mechanism shall agree upon arrangements to give effect to the above paragraphs, which shall include sub-paragraphs (a)–(d) of Article 11.

2. At its sixteenth session, the COP by decision 1/CP.16, established the Green Climate Fund (the ‘Fund’) to be designated as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the COP and the Fund to ensure that it is accountable to, and functions under the guidance of, the COP, to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows.

3. At its seventeenth session, the COP approved the Governing Instrument for the Fund. It decided to designate the Fund as an operating entity of the financial mechanism of the Convention, in accordance with Article 11 of the Convention, with arrangements to be concluded between the COP and the Fund at the eighteenth session of the COP.¹

4. At COP 18, in its decision “Arrangements between the COP and the Fund”,² the COP recognized that the provisions contained in Article 11, paragraph 3, of the Convention and decision 3/CP.17 and the Governing Instrument for the Fund annexed to that decision, form the basis for arrangements between the COP and the Fund. It requested the Standing Committee on Finance (SCF) and the Green Climate Fund Board to develop arrangements between the COP and the Fund in accordance with the Governing Instrument for the Fund and Article 11, paragraph 3, for agreement by the Board and subsequent agreement by the COP at its nineteenth session.

5. At its March 2013 meeting, the Board, in decision B.01-13/11:

“(a) Recognized that the provisions contained in Article 11, paragraph 3, and decision 3/CP.17 of the United Nations Framework Convention on Climate Change and the Governing Instrument form the basis for arrangements between the Conference of the Parties and the Green Climate Fund, and that the Standing Committee on Finance and the Board develop the arrangements between the Conference of the Parties and the Green Climate Fund consistent with decision 7/CP.18 of the Conference of the Parties at its eighteenth session;

“(c) Decided that the Co-Chairs be mandated to develop, in accordance with paragraph 1 of decision 7/CP.18, the draft arrangements between the Conference of the Parties and the Green Climate Fund with the Co-Chairs of the Standing Committee on Finance.”

¹ Decision 3/CP.17, paragraph 3.

² Decision 7/CP.18.

6. Annex II to this document presents the draft arrangements as transmitted by the Co-Chairs of the SCF on 17 September 2013. Annex III contains the cover letter by the Co-Chairs of the SCF.

7. The Board is invited to consider them and take appropriate action in response to the COP decision and the related outcomes of the SCF.

Annex I: Draft decision of the Board

The Board, having considered document GCF/B.05/17 *Draft Arrangements between the Conference of the Parties to the UNFCCC and the Green Climate Fund*:

- (a) Approves the draft arrangements between the Conference of the Parties and the Green Climate Fund set out in Annex II to document GCF/B.05/17;
- (b) Requests the current Co-Chairs to inform the Co-Chairs of the Standing Committee on Finance of the outcome of the Board's deliberations on the arrangements; and
- (c) Requests the Interim Secretariat to transmit to the secretariat of the UNFCCC the draft arrangements between the Conference of the Parties and the Green Climate Fund as approved by it, for transmittal to the Conference of the Parties for its subsequent agreement at its nineteenth session, in accordance with decision 7.CP/18.

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

I. Preamble

1. *Recalling* Conference of the Parties decisions 1/CP.16, paragraph 102, and 3/CP.17, paragraphs 3–5, as well as the governing instrument for the Green Climate Fund (GCF), contained in decision 3/CP.17, annex, paragraphs 3 to 6.
2. *Recognizing* that the provisions contained in Article 11, paragraph 3, of the Convention, decision 3/CP.17 and the governing instrument for the GCF form the basis for arrangements between the Conference of the Parties (COP) and the GCF.
3. The Conference of the Parties (hereinafter referred to as “the COP”) to the United Nations Framework Convention on Climate Change (hereinafter referred to as “the Convention”) and the Green Climate Fund (hereinafter referred to as the “GCF”) hereby have agreed to the following:

II. Purpose of these arrangements

4. The purpose of these arrangements is to set out the working relationship between the COP and the GCF to ensure that the GCF is accountable to and functions under the guidance of the COP when supporting projects, programmes, policies and other activities in developing country Parties.

III. Determination and communication of guidance from the Conference of the Parties

5. The GCF shall receive guidance from the COP, including on matters related to policies, programme priorities and eligibility criteria.
6. The COP shall, after each of its sessions, communicate guidance to the GCF.
7. The COP shall provide guidance based, inter alia, upon a thorough consideration of the annual reports of the GCF.

IV. Conformity with guidance of the Conference of the Parties

8. The GCF shall take appropriate actions in response to the guidance received and shall report on such actions taken.

V. Reconsideration of funding decisions

9. These arrangements reaffirm that the Board of the GCF has full responsibility for funding decisions.
10. The Board of the GCF has been mandated by paragraph 69 of the governing instrument to establish an independent redress mechanism that will report to the Board.

11. The independent redress mechanism shall be open, transparent and easily accessible and shall address, inter alia, reconsideration of funding decisions.
12. The GCF shall include in its annual reports to the COP the recommendations of its independent redress mechanism, and any action taken by the Board of the GCF in response to those recommendations. The COP may provide additional guidance to clarify policies, programme priorities and eligibility criteria with respect to how they affect funding decisions.
13. Further modalities for the reconsideration of funding decisions as per Article 11, paragraph 3(b), of the Convention shall be developed appropriately once the independent redress mechanism is operational.

VI. Reports from the Green Climate Fund to the Conference of the Parties

14. The GCF shall submit annual reports to the COP for its consideration. Such annual reports shall include information on the implementation of policies, programme priorities and eligibility criteria provided by the COP, including information on the extent to which COP guidance has been adhered to by the Board of the GCF.
15. The GCF shall include in its reports a synthesis of the activities being implemented and a listing of the activities approved, in addition to a financial report.
16. The GCF shall also include in its reports information on all activities financed by the GCF.
17. The GCF shall indicate in its reports how it has balanced the allocation of resources between adaptation and mitigation activities.
18. The GCF shall also include information on the development and implementation of mechanisms to draw on appropriate expert and technical advice, including from the relevant thematic bodies established under the Convention, as appropriate.
19. The COP may request additional information from the GCF via its annual guidance.

VII. Determination and periodic review of funding necessary and available

20. In accordance with Article 11, paragraph 3(d), of the Convention, which calls for arrangements to determine in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention, and the conditions under which that amount shall be periodically reviewed:
 - (a) The COP shall make assessments of the amount of funds necessary to assist developing countries in implementing the Convention, in order to help to inform resource mobilization by the GCF;
 - (b) The GCF shall provide information on resource mobilization and the available financial resources, including any replenishment processes, in its annual reports to the COP.

VIII. Cooperation between secretariats and representation in meetings of the governing bodies

21. The secretariat of the GCF and the secretariat of the Convention may, as necessary and subject to the direction of the Board of the GCF and the COP, respectively, cooperate and exchange views on matters relevant to the operation of the financial mechanism of the

Convention, including implementation of these arrangements between the COP and the GCF, coordination with other international financing channels and participation of representatives at relevant meetings of the bodies.

22. The participation of representatives of the secretariat of the Convention in the meetings of the GCF, and of the secretariat of the GCF in the sessions of the COP, is to be governed by the rules of procedure of the GCF and the COP, respectively.

IX. Review and evaluation of the financial mechanism

23. The reports of the GCF shall include any reports of the independent evaluation unit, including for the purposes of the periodic reviews of the financial mechanism of the Convention.

24. The COP may commission an independent assessment of the overall performance of the GCF, including of the performance of the Board of the GCF, to coincide with periodic reviews of the financial mechanism.

25. The COP shall invite feedback from the GCF in advance of making any conclusions or findings arising from the review or evaluation of the financial mechanism.

X. Review of these arrangements

26. These arrangements can only be modified in writing by agreement between the COP and the GCF.

27. These arrangements shall come into force upon agreement by the GCF and subsequent agreement by the COP.

28. These arrangements may only be terminated in writing by agreement between the COP and the GCF.

Annex III: Letter by the Co-Chairs of the Standing Committee on Finance

Mr. Zaheer Fakir
Co-Chair
Green Climate Fund Board
Deputy Director General
International Relations
Department of Environmental Affairs
Private Bag X447
0001 Pretoria, South Africa

Date: 17 September 2013
Reference: AK/JL/af
Direct line: +49 228 815-1764

Mr. Ewen McDonald
Co-Chair
Green Climate Fund Board
Deputy Director General
Humanitarian and International Group
Australian Agency for International Development
Canberra, Australia

Communication of outcomes of discussions during the fifth meeting of the Standing Committee on Finance on the development of the arrangements between the Conference of the Parties and the Green Climate Fund pursuant to decision 7/CP.18 of the Conference of the Parties

Dear Mr. Fakir, Dear Mr. McDonald,

By its decision 7/CP.18, paragraph 2, the Conference of the Parties (COP) requested the Standing Committee on Finance (SCF) and the Board of the Green Climate Fund (GCF) to develop arrangements between the COP and the GCF in accordance with the governing instrument of the GCF and Article 11, paragraph 3, for agreement by the Board and subsequent agreement by the COP at its nineteenth session (COP 19). A copy of decision 7/CP.18 is enclosed for ease of reference.

In that decision, the COP recognized that the provisions contained in Article 11, paragraph 3, and decision 3/CP.17, and the governing instrument of the GCF contained in the annex to decision 3/CP.17 form the basis for arrangements between the COP and the GCF to ensure that the GCF is accountable to and functions under the guidance of the COP to support projects, programmes, policies and other activities in developing country Parties.

Following on our letter dated 19 June 2013 on this matter, we would like to inform you that the SCF considered this matter extensively again at its fifth meeting, held from 27–30 August 2013 in Bonn.

We are proud to inform you that the SCF members have come to an agreement on the draft arrangements between the COP and the GCF, as annexed to this communication. We have been mandated by the SCF members to formally communicate said draft arrangements to you in your capacity as co-chairs of the GCF Board for consideration by the GCF Board at its next meeting. We would appreciate your bringing this communication to the attention of the GCF Board.

We look forward to your formal response.

Yours sincerely,

Diann Christine Black Layne
Co-Chair of the Standing Committee on Finance

Stefan Schwager
Co-Chair of the Standing Committee on Finance
