



GREEN  
CLIMATE  
FUND

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# Trustee Arrangements, including the Review of the Interim Trustee and the Initiation of a Process to Select the Trustee of the Fund

Addendum

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**GCF/B.08/33/Add.01**

16 October 2014

**Meeting of the Board**

14-17 October 2014

Bridgetown, Barbados

Agenda item 30

## **Introduction**

The cover note included in Annex II should have been included in document GCF/B.08/33. It is included as received without changes or editing.

## Annex II: Cover Note

Dear Co Chairs

Due to the complexity in finding a common ground pertaining to the Trustee Arrangements, it has been difficult to incorporate the comments received from the offices of the two Co-chairs into the original document prepared by the Secretariat. We have therefore opted to maintain the initial draft and submit it to the Board.

Since the Secretariat submitted the initial draft on 16 September 2014, we received four feedback messages from your offices. In addition to the original document, we have shown below a compilation of your feedback which may serve as supplementary information for consideration by the Board.

The Secretariat

### **Feedback received from Co-chairs to document GCF/B.08/33**

#### **23 September: from Dr. Konukiewitz's office**

Para 10: this para is not in line with the GI. According to para 26 GI, the review is done three years AFTER the operationalization. Since the trustee is accountable to the Board, the ToR for the review will have to be approved by the Board. The Secretariat will assist the Board in conducting the review. Please adjust accordingly.

Para 11: this para is not in line with the GI. The GI does not contain an expiry date for services of the Interim Trustee. The service ends when a permanent Trustee starts its services to the GCF. Please adjust accordingly.

Additionally, it would be helpful to have more clarity on what "timely action" by the Secretariat to initiate the review is. Also in relation to the selection process, the Board may want to decide on the process for selecting the permanent Trustee taking on board

- (a) the experience gained with the Interim Trustee,
- (b) the outcomes of the review of the Interim Trustee, and
- (c) considering the capabilities of the Secretariat in the future.

Draft decision para b: the expiry date is not in line with the GI (cf. above). The text should be as follows: "(b) Decides to invite the World Bank to continue serving as the interim trustee until a Trustee starts its services to the GCF". This cannot be expected to happen earlier than at least three years after the operationalization and the additional time needed for the review and the selection process for the permanent Trustee. The Interim Trustee will serve for three years after the operationalization before a review is carried out (as per GI para 26). The Secretariat should inform the Board in due on the time needed for

- (a) the review of the Interim Trustee and
- (b) the selection process for the Trustee.

Draft decision para d: "termination of the appointment of the Interim Trustee" is not in line with the GI (cf. above). It should read "requests the Secretariat to clarify the initial steps needed to initiate a timely review." The Board should define that process at a later date, taking into account the additional experience gained in the coming years. The decision should not

pre-determine the process for selecting a permanent Trustee.  
With that the document is cleared.

### **27 September: Response from Mr. Gov. Salceda's Office**

1. The draft document does not respond to the title of the agenda item, as contained in the 2014 Work Plan.

2. It merely mirrors the one submitted by the secretariat to the second meeting of the IRM process, which underwent several revisions.

Comments made and revisions suggested by developing countries on the first version of that paper was completely ignored by the secretariat in its successive iterations of the first version.

3. This draft apparently did not consult or take on board the document submitted to the Board at its second meeting and which is referenced in the draft itself.

4. The draft took what it understood to be the views of "interested contributors" to continue the services of the Interim Trustee for a three-year period with an undetermined starting point, but did not address terms of reference of the review of the Interim Trustee, and especially not the initiation of a process to select the Trustee of the Fund.

5. In this, it completely ignores the guidance of the COP provided since 2011 as contained in Decision 3/CP.17, paragraph 16. This guidance does NOT link the selection of the Trustee through an open, transparent and competitive bidding process with any notion of an "operationalization" of the Fund.

6. The GCF also failed to follow the guidance provided in paragraph 19 of Decision 3/CP. 17, which "decides that the interim arrangements should terminate no later than the 19th session of the COP (Warsaw, 2013)" by not initiating this open, transparent and competitive bidding process, thereby de facto extending the term of the Interim Trustee.

This should be mentioned in the report of the GCF to the COP in 2014.

7. The draft presents options for a common understanding of the "operationalization of the Fund ", then prejudices the Board by taking only one of those options. "Operationalization" is not to be confused with the undetermined end of the initial resource mobilization, nor with the capitalization of the GCF which in fact has already been done, allowing the Fund to operate. The completion of the 8essential requirements is to start the initial resource mobilization, and its undetermined end should not be presumed as the "operationalization" of the Fund, prejudging the discussions and decision to be taken by the Board.

8. Terms of reference of the review of the Interim Trustee should be presented in the draft for the consideration of the Board.

9. It is not the intention of the COP, as alleged in the paper, that the World Bank was chosen as Interim Trustee because it could perform the functions listed in the Governing Instrument.

Trusteeship of funds is a normal function of any bank and is not an exclusive territory of the World Bank.

At the time that it was decided to name the World Bank as Interim Trustee, in Cancun 2010, the Governing Instrument has not yet been endorsed and agreed to by the COP. This decision is a compromise negotiated to get agreement on the establishment of the Green Climate Fund, and in fact was not the option preferred by developing countries which even then proposed an open, transparent and competitive bidding process for the selection of the Trustee for the GCF.

8. The draft should be rewritten so as to be in conformity with its title. Documents exist that can be taken into account for an open, competitive bidding process as practiced in the UNFCCC and in the wider UN system. One such document is a technical paper of the UNFCCC, document no. FCCC/TP/2013/1, entitled "Steps and Time Frames to conduct an open and competitive bidding process for selecting host institutions for entities under the Convention".

With these revisions, and a streamlining of the document to be in conformity with the title of the agenda item, we can then clear the document.

#### **1 October: Response by Dr. Konukiewitz's office**

We disagree with the approach and the substance of the comments and requests for revisions expressed by Bernarditas in the mail of September 27th as the approach and the revisions requested are in contradiction with the GI. In our assessment the paper from the Secretariat and the approach taken in that paper is in line with the GI and the relevant COP decisions.

In particular, 3/CP.17 para 19 relates to the Interim Secretariat. It does not prescribe a date or timeline with regard to the Interim Trustee.

However GI para 26 request a review and gives a timeline, when to start the review - 3 years after the operationalization of the GCF. Therefore a process for selecting a Trustee does not start before the review of the Interim Trustee, as requested by the GI, has concluded.

Neither in the GI nor in COP decisions on a definition of operationalization are made. Therefore the definition of operationalization requires a decision by the Board in order to provide clarity, when the Review of the Interim Trustee will take place. We agree, that the Secretariat makes proposals to the Board for the definition of operationalization.

I would like to reiterate that the draft prepared by the Secretariat with the feedback we gave on September 24th is cleared.

Finally I would like to point out, that interested contributors asked for clarity on the continuity of Interim Trustee or Trustee services. As the current arrangements with the World Bank as Interim Trustee will end by April 30th 2015 a failure of the Board in October to take a decision ensuring the continuity of Trustee services will put Interim Trustee services as well as the resource mobilization at risk

**5 October: Response from Mr. Gov. Salceda's office**

As we previously indicated, the final draft version of this background document did not reflect our revisions. Nevertheless, prior to clearance, please find attached further revisions of the Annexed draft decision, for reflection in the document. Should these still not be taken into account, these will be introduced during the Board meeting.

Kindly acknowledge receipt.

## Appendix : Draft Decisions of the Board

The Board, having considered document GCF/B.08/xx *Review of Interim Trustee of the Fund*:

(a) ~~Decides that the Fund is operational as of [the date of confirmation of the completion of the essential requirements, 21 May 2014][the date of the pledging conference, 20 November 2014][The effectiveness date, 30 April 2015]~~

(b) ~~Decides to invite the World Bank to continue serving as the interim trustee for an extended period ending three years after the operationalization of the Fund until 15 April 2016;~~

(c) ~~Requests the Secretariat to immediately initiate timely action submit to the 9<sup>th</sup> meeting of the Board draft terms of reference for the conduct of for the review as referred to of the performance of the Interim Trustee, mandated in paragraph in Article 26 of the Governing Instrument;~~

~~Requests the Secretariat to take the necessary steps in a timely manner develop a list of institutions/organizations which could potentially serve as the GCF trustee, including, but not limited to, synopsis of their experience and qualifications. The Secretariat is further requested to develop a methodology for an open, transparent and competitive bidding process; to enable the Board to select a trustee before the termination of the extended appointment of the Interim Trustee. This process should be concluded by the 2<sup>nd</sup> meeting of the Board in 2015. through an open, transparent and competitive bidding process;~~

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