



GREEN
CLIMATE
FUND

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

GCF/B.08/33

7 October 2014

Meeting of the Board

14-17 October 2014

Bridgetown, Barbados

Agenda item 30

Recommended action by the Board

It is recommended that the Board:

- (a) Take note of the information presented in document GCF/B.08/33 *Trustee Arrangements, Including the Review of the Interim Trustee and the Initiation of a Process to Select the Trustee of the Fund*; and
- (b) Adopt the draft decision presented in the Annex to this document.

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

I. Introduction

1. The purpose of this document is to seek guidance from the Board on the approach to and steps to be taken in reviewing the interim trustee arrangements and the selection process for a trustee.
2. At the sixteenth session of the Conference of the Parties (COP), the COP decided that the Green Climate Fund (the Fund) shall have a Trustee with administrative competence to manage the financial assets of the Fund, maintain appropriate financial records and prepare financial statements and other reports required by the Board, in accordance with internationally accepted fiduciary standards. To this end, the COP invited the World Bank to serve as the Interim Trustee for the Fund, subject to a review three years after the operationalization of the Fund.
3. The Governing Instrument of the Fund, adopted by the COP in decision 3/CP.17, reiterates the role of the World Bank to serve as Interim Trustee for the Fund, subject to a review three years after the operationalization of the Fund.
4. In decision 3/CP.17, the COP invited the Board to select the trustee of the Fund through an open, transparent and competitive bidding process in a timely manner to ensure that there is no discontinuity in trustee services.

II. Services provided by the Interim Trustee

5. The Governing Instrument outlines the responsibilities of the trustee in general terms. The role of the World Bank as Interim Trustee has been defined in document GCF/B.02-12/05/Rev.01 in two distinct phases as follows:

(a) *Phase I:*

In the first phase, the Interim Trustee would receive contributions into the Green Climate Fund Trust Fund (GCF Trust Fund) and make cash transfers to cover the administrative costs of the Fund's start-up and governance. The contribution agreements/arrangements would authorize the Interim Trustee to transfer funds from the GCF Trust Fund in accordance with Board decisions and the preliminary arrangements to support the Interim Secretariat as described above. Funds would be transferred to:

- (i) UNFCCC secretariat, for costs associated with its role in the Interim Secretariat;
- (ii) GEF secretariat, for costs associated with its role in the Interim Secretariat;
- (iii) Independent Secretariat, once established; and
- (iv) World Bank as the Interim Trustee, for costs associated with providing the Interim Trustee services.

(b) *Phase II:*

In the second phase, the Interim Trustee would also facilitate cash transfers from the GCF Trust Fund to implementing entities for Fund-financed projects and programmes, as approved by the Board, including for readiness and preparatory support as provided in decision 3/CP.17. In accordance with this decision, this phase would commence after the Board has established its operational policies and procedures and has accredited the Fund's implementing entity (ies). The Interim Trustee would make cash transfers to accredited implementing entities based on the Board's funding decisions and in accordance with transfer agreements between the Interim Trustee and implementing entity(ies).

III. Review of the Interim Trustee's performance

6. So far the Interim Trustee's role has been limited to Phase I. In accordance with the designated role, the World Bank has established a trust fund for the Fund, received contributions into the trust fund and submitted quarterly reports to the Board starting from June 2012. However, Phase II of the Interim Trustee's services, which is expected to be more complex, has not yet commenced.

7. Transfers of funds were also made promptly to the secretariats of UNFCCC and the GEF, and later on to the Fund's Secretariat to cover costs associated with their mandated services to the Fund.

8. Although the World Bank has been serving the Fund since early 2012, the Board still needs to determine the start date of the operationalization of the Fund. As mentioned in paragraph 2 above, the review would take place three years after this date.

9. At the first and second IRM meetings, potential contributors have underlined the need for certainty on the trusteeship arrangements as a prerequisite for making pledges and paying contributions to the Fund. More specifically, the Policies for Contributions to the Green Climate Fund: Recommendations by Interested Contributors document GCF/B.08/17 stipulates that "Interested contributors have an urgent and critical need for clarity and certainty on the continuity in the provision of current trustee services to the Fund during the IRM period. Interested contributors therefore recommend the Board to decide at its eighth meeting: (1) to extend the current interim trustee arrangements; and (2) to define when the Fund is deemed to be operational".

IV. Expected action by the Board

10. The Board may wish to consider the above factors and determine whether to invite the World Bank to extend its services as the Interim Trustee, and request the Secretariat to launch the review of the performance of the Interim Trustee in a timely manner with a view to delivering it by the end of the three years after the operationalization of the Fund.

11. If the Board decides to continue with the current interim arrangement for a period up to three years after the operationalization of the Fund, a competitive process to appoint a permanent trustee should be initiated and completed before the expiry date of the extended term.

12. In this context it is important that the Board decide when the Fund is deemed to be operational. Various dates may be considered, among which the following appear to be practical:

- (a) The date of confirmation of the completion of the essential requirements (GCF/B.07/11 21 May 2014);
- (b) The date of the Green Climate Fund Pledging Conference (20 November 2014); and
- (c) Effectiveness date– the Fund’s commitment authority will become effective when 50 per cent of contributions pledged by the November 2014 pledging session are reflected in fully executed contribution agreement/arrangements received by the Secretariat (30 April 2015).

Annex: Draft decision of the Board

The Board, having reviewed document GCF/B.08/33 *Trustee Arrangements, Including the Review of the Interim Trustee and the Initiation of a Process to Select the Trustee of the Fund*

- (a) Decides that the Green Climate Fund is operational as of [the date of confirmation of the completion of the essential requirements (GCF/B.07/11, 21 May 2014)][the date of the Green Climate Fund Pledging Conference (20 November 2014)][the effectiveness date for the Fund Commitment authority (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;
 - (c) Requests the Secretariat to initiate timely action for the review of the Interim Trustee as referred to in paragraph 26 of the Governing Instrument;
 - (d) Requests the Secretariat to take the necessary steps in a timely manner to enable the Board to select a Trustee before the termination of the appointment of the Interim Trustee through an open, transparent and competitive bidding process.
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