



**GREEN  
CLIMATE  
FUND**

**Meeting of the Board**  
2 – 5 November 2015  
Livingstone, Republic of Zambia  
Provisional Agenda Item 17\*

**GCF/B.11/Inf.05**

**21 October 2015**

---

# Status of the Initial Resource Mobilization process

---

## **Summary**

This document provides an update for the Board on the Initial Resource Mobilization process, including a progress report as at 5 October 2015, on the following areas:

- (a) The status of signing for contribution agreements/arrangements;
- (b) The current commitment authority highlighting the current cash available;
- (c) The forecast of available resources for commitment and disbursement;
- (d) The next steps under the Initial Resource Mobilization;
- (e) The agreed plan forward with those countries that have not signed yet; and
- (f) The concrete resource mobilization activities undertaken to raise additional contributions.

---

\* The agenda item number will be determined when the final sequence of items in the provisional agenda is confirmed by the Co-Chairs.

## I. Introduction

1. During the tenth meeting of the Board, the Secretariat reported to the Board that 24 countries out of 34 that had pledged contributions had signed the contribution agreement arrangements amounting to approximately USD 5.75 million equivalent of the total pledge of USD 10.2 billion equivalent.

## II. Status of contributions

### 2.1 Status of contributions

2. As at 5 October 2015, 27 countries had signed contribution agreements for part or all of their pledge since the 2014 High-level Pledging Conference held in Berlin, Germany, bringing the total to approximately USD 5.83 billion equivalent. The 27 countries were Australia, Austria, Belgium, Chile, the Czech Republic, Denmark, Estonia, France, Germany, Iceland, Italy, Japan, Latvia, Liechtenstein, Luxembourg, Malta, Mexico, Monaco, the Netherlands, New Zealand, Norway, Panama, Poland, the Republic of Korea, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland. Of these 26 countries, five countries (Belgium, France, Italy, Panama and Switzerland) still have part of their pledge remaining to be signed.

3. However, there are 14 countries that have not signed the contribution agreements for part or all of their pledges. These countries are Belgium, Canada, Colombia, Finland, France, Hungary, Italy, Mongolia, Panama, Portugal, Peru, Spain, Switzerland and the United States of America.

## III. Status of resources

### 3.1 Forecast of available resources

4. Based on the signed contribution agreements/arrangements as at 5 October 2015, the forecast of available resources for funding decisions (commitments) and disbursements (available cash) are shown in the following tables. The tables show the cash and promissory notes (PNs) already forecast to be received at the end of each calendar year.

5. Table 1 below illustrates the level of resources available for funding decisions (commitment authority) as at 5 October, which includes the actual cash in the GCF Trust Fund and the PNs deposited in a designated custody account. Both cash and PNs constitute to be assets of the Green Climate Fund (GCF) and the total amount of available cash and deposited PNs will act as the basis for funding decisions by the Board. As explained in Policies for Contributions to the GCF, both payments in cash and deposits of PNs will be accepted within the Initial Resource Mobilization (IRM) period. Table 2 below, on the other hand, contains the forecast of available resources for funding decisions for the budgetary period from 2015 to 2018, based on the signed agreements/arrangements.

**Table 1. Total commitment authority for 2015(as at 5 October 2015)**

Millions of United States dollars equivalent

	Cash	Promissory Notes (PNs)	Total
<b>Commitment Authority</b>	185	667	852

**Table 2. Total projected commitment authority (as at 31 December)**

Millions of United States dollars equivalent<sup>a</sup>

Calendar year	2015	2016	2017	2018
<b>Cash contributions</b>	348.04	327.54	315.65	341.87
<b>Promissory note deposits</b>	1,610.67	1,029.48	1,029.48	739.66
<b>Total commitment authority</b>	1,958.71	1,357.02	1,345.13	1,081.53

<sup>a</sup> United States dollar equivalent is based on the reference exchange rates established for the High-level Pledging Conference (GCF/BM-2015/Inf.01/Rev.01).

6. Table 3 represents the schedule of projected cash available for disbursement, illustrating the maximum possible disbursement levels for each year. This includes the cash payments and the cash paid in from encashment of PNs. As explained in the Policies for Contribution to the GCF, the encashment schedule of PNs, which is not to exceed nine years or to take place after 2023, will be agreed between the contributor and the Secretariat based on the contribution agreements/arrangements.

**Table 3. Total projected cash available for disbursement (as at 31 December)**

Millions of United States dollars equivalent<sup>a</sup>

Calendar year	2015	2016	2017	2018	2019	2020	2021	2022	2023
<b>Cash contributions</b>	348.04	327.54	315.65	341.87	-	-	-	-	-
<b>Promissory note encashment</b>	168.46	551.10	629.90	607.91	618.17	573.98	524.35	413.58	321.98
<b>Total cash available</b>	516.37	878.64	945.55	949.78	618.17	573.98	524.35	413.58	321.98

<sup>a</sup> United States dollar equivalent is based on the reference exchange rates established for the High-level Pledging Conference (GCF/BM-2015/Inf.01/Rev.01).

7. It should also be noted that when planning for the amount of funding decisions and disbursements, the following points need to be taken into account:

- (a) The existing Board decisions (decisions B.10/04 and B.10/11) approving the requests for proposal for three pilot programmes of up to USD 900 million from 2016 to 2018; and
- (b) The GCF needs to consider establishing a contingency amount that would be set aside (for example, 10 per cent of the commitment authority) for asset liability management every year. This amount would ensure availability of resources in case GCF's disbursements to Projects/Programmes were to proceed at a higher pace than expected and/or resources from contributors were to be delayed.

## 3.2 Impact of foreign exchange variations

8. The variation in foreign exchange rates may have a severe impact on the value of funds available for the commitment authority. While the GCF will make funds available in major convertible currencies, it is likely that a substantial amount of resources will be requested in United States dollars. During IRM, 31.8 per cent of pledges were made in United States dollars, and 68.2 per cent in other currencies. As a result of foreign exchange variations, the original value of pledges, determined using the reference exchange rates established for the GCF High-level Pledging Conference, has been reduced from USD 10.2 billion equivalent to USD 9.1 billion equivalent as at late September 2015.

9. There are several ways to protect the GCF against foreign exchange volatility. Below is a list of potential approaches to be considered. However, it is important to note that not all foreign exchange risk can be eliminated as it becomes uneconomical to use financial instruments that guarantee a certain exchange rate at time horizons beyond two to three years.<sup>1</sup> Purchasing hedging instruments comes at a cost which increases as hedging is extended further into the future.

- (a) Natural hedge: This would be the ideal approach and it would be virtually cost-free. It implies matching the currency of expected contributions to the currency of outgoing financial instruments provided to GCF recipients and holding GCF resources in the main currencies used by contributors. With respect to outgoing resources, decision B.09/04 specifies that these will be made available in major convertible currencies. However, based on the initial funding proposals received, it is expected that the majority of resources from the GCF will be requested in United States dollars therefore it is unlikely that a natural hedge could be implemented;
- (b) Forward straight contracts (locks-in a fixed rate of exchange into the future): This financial agreement commits the GCF to converting commitments in the relevant currency into United States dollars at a pre-specified exchange rate thus eliminating the exchange rate uncertainty. This approach is generally available for two to three years into the future and requires that the GCF post collateral as a guarantee that a predictable exchange of resources will take place in the future. Forward contracts usually require a level of certainty about the date of settlement (i.e. the expected date of cash payment of the currency of contribution) and therefore any unexpected delays in contributions may impose a financial cost on the GCF; and
- (c) Options contracts: These financial instruments give the GCF the right, but not the obligation, to exchange currency at a pre-specified exchange rate. The cost of this instrument (the price paid to 'buy' the option) can be very high for periods longer than 12 months.

10. The GCF, as part of the implementation of its risk management framework, will develop a currency hedging strategy for presentation to the Board at its thirteenth meeting.

---

<sup>1</sup> In case of the GCF, the Policies for Contributions (annex XIX to decision B.08/13 (annex XIX to document GCG/B.08/45)) specify that the encashment period could extend over several years, even beyond the IRM. Hedging all those future inflows, which could extend through 2023 would be uneconomical.

## IV. Next steps

### 4.1 Remaining pledges

11. Out of the 14 countries that have not yet signed contribution agreements partly or in full, the status of the top seven contributors are set out in table 4 below. It should be highlighted that COP 20 pledges not being signed by COP 21 might pose a risk of credibility to the GCF.

**Table 4. Status of the main unsigned countries**

Country	Amount (in pledged currency, in millions)	Status
Canada	CAD 300	Discussing contribution arrangement text that would ensure consistency with parliamentary appropriation procedures
Finland	EUR 80	Waiting for internal government clearance and discussing agreement text. Expecting to sign EUR 34 million.
France	EUR 342	Discussing final texts of legal agreements
Italy	EUR 200	Awaiting budgetary decision for the remaining EUR 200 million
Spain	EUR 120	Waiting for budgetary appropriation and discussing agreement text
Switzerland	USD 70	In the process of final government clearance
United States of America	USD 3,000	Discussing arrangement text and waiting for approval of appropriation of a first tranche of resources which is not expected before mid-December 2015

Abbreviations: CAD = Canadian dollars

### 4.2 New pledges

12. The developed country Parties have committed to a goal of mobilizing jointly USD 100 billion per year by 2020, and the GCF, an operating entity of the financial mechanism of the Convention, is expected to evolve over time and become the main global fund for the climate change finance, where a significant share of new multilateral funding for adaptation should flow through. At the United Nations General Assembly in September, there were many climate finance pledges announced, but none specifically highlighted for the GCF. Therefore, there is a tremendous opportunity at COP 21 for governments, other public and non-public sources to come forward and announce a financial pledge to the GCF.

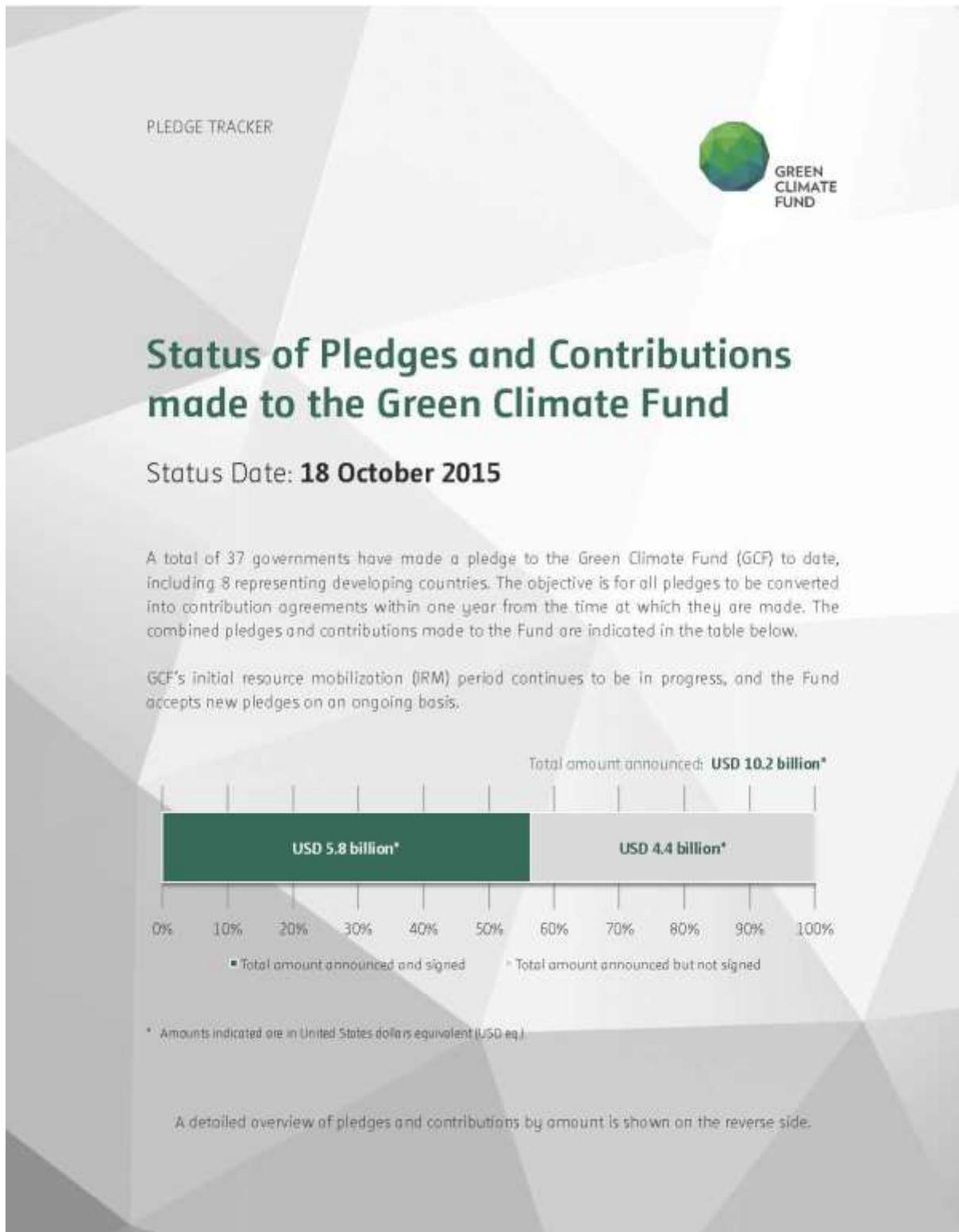
13. Since the GCF will be accepting new pledges throughout the IRM period, the following activities could be undertaken by the GCF to raise additional contributions:

- (a) Annual pledging conferences (with options for regional conferences) for public sector contributors, including countries, sub-sovereign entities/local governments, including cities and State-owned entities;
- (b) Pledging conferences for non-public sector contributors;
- (c) Consider innovative ways to accept contributions from individuals;



- 
- (d) Hold workshops so as to explain the policies and procedures in place to accept contributions from philanthropic foundations and other non-public and alternative resources; and
  - (e) Work with the existing network of national designated authorities and accredited entities so as to tap into their network in order to increase the contributor base from all sectors.

## Annex I: Pledge Tracker





Status of Pledges for GCF's Initial Resource Mobilization (IRM) as of 18 October 2015

Calculated on basis of reference exchange rates established for GCF's High-Level Pledging Conference (GCF/BM-2015/Inf.01)

(In millions)

Governments	Pledges						Grant Equivalent <sup>1</sup>		
	Announced		Signed	Disbursed Cash and Deposited PMs	Announced Per Capita	of Pledged Amount	of Signed Amount	of Pledged Amount	
	In Currency	USD eq. <sup>2</sup>	USD eq. <sup>2</sup>	In Currency	USD eq. <sup>2</sup>	USD eq. <sup>2</sup>	USD eq. <sup>2</sup>	Current EUR	
<b>Amounts Announced, Signed, and Disbursed</b>									
Australia	AUD	200.1	187.0	187.0	70.6	7.9	187.0	187.0	140.4
Austria*	USD	25.0	25.0	26.8	2.4	2.9	25.0	26.8	22.5
Belgium	EUR	40.6	54.3	54.3	40.6	6.2	54.3	54.3	45.7
Chile	USD	0.3	0.3	0.3	0.3	0.0	0.3	0.3	0.3
Czech Republic	CZK	110.0	5.3	5.3	60.0	5.3	5.3	5.3	4.5
Denmark	DKK	400.0	71.8	71.8	100.0	12.8	71.8	71.8	60.3
Estonia	EUR	1.0	1.3	1.3	0.8	1.0	1.3	1.3	1.1
France (Grant)	EUR	432.0	577.9	577.9	-	16.0	577.9	577.9	486.1
Germany	EUR	750.0	1,003.3	1,003.3	187.5	12.1	1,003.3	1,003.3	843.9
Iceland	USD	0.2	0.2	0.2	0.2	0.5	0.2	0.2	0.2
Indonesia <sup>3</sup>	USD	0.3	0.3	0.3	0.2	0.0	0.3	0.3	0.3
Italy	EUR	50.0	66.9	66.9	-	5.5	66.9	66.9	56.5
Japan	JPY	154,028.7	1,500.0	1,500.0	-	11.8	1,500.0	1,500.0	1,284.4
Latvia	EUR	0.4	0.5	0.5	0.4	0.2	0.5	0.5	0.4
Liechtenstein	CHF	0.1	0.1	0.1	-	1.5	0.1	0.1	0.1
Luxembourg	EUR	5.0	6.7	6.7	5.0	13.4	6.7	6.7	5.6
Malta	EUR	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1
Mexico	USD	10.0	10.0	10.0	-	0.1	10.0	10.0	10.0
Monaco	EUR	0.3	0.3	0.3	0.3	8.8	0.3	0.3	0.3
Netherlands	EUR	100.0	133.8	133.8	6.7	8.0	133.8	133.8	112.5
New Zealand	NZD	3.0	2.6	2.6	3.0	0.6	2.6	2.6	1.9
Norway	NOK	1,500.0	257.9	257.9	400.0	30.6	257.9	257.9	188.8
Panama	USD	0.5	0.5	0.5	0.5	0.3	0.5	0.5	0.5
Poland	PLN	0.4	0.1	0.1	0.4	0.0	0.1	0.1	0.1
Republic of Korea <sup>4</sup>	USD	100.0	100.0	100.0	24.7	2.0	100.0	100.0	100.0
Sweden	SEK	4,000.0	581.2	581.2	4,000.0	60.5	581.2	581.2	476.7
Switzerland	USD	30.0	30.0	30.0	30.0	12.2	30.0	30.0	30.0
United Kingdom <sup>5</sup>	GBP	720.0	1,211.0	1,211.0	-	19.1	1,211.0	1,211.0	1,091.9
<b>Total</b>			<b>5,828.1</b>	<b>5,829.9</b>			<b>5,828.1</b>	<b>5,829.9</b>	<b>4,964.9</b>
<b>Amounts Announced but Not Yet Signed</b>									
Belgium	EUR	11.0	14.7	-	-	2.9	14.7	-	12.4
Canada (Grant)	CAD	168.0	155.1	-	-	-	155.1	-	125.3
Canada (Grant)	CAD	110.0	101.6	-	-	7.8	70.0	-	56.7
Canada (Co-finance)	CAD	22.0	20.3	-	-	-	-	-	-
Colombia	USD	6.0	6.0	-	-	0.1	6.0	-	6.0
Finland	EUR	80.0	107.0	-	-	19.8	107.0	-	90.0
France (Grant)	EUR	285.0	381.3	-	-	16.0	305.1	-	254.4
France (Co-finance)	EUR	57.0	76.3	-	-	-	-	-	-
Hungary	HUF	1,000.0	4.3	-	-	0.4	4.3	-	3.6
Italy	EUR	200.0	267.5	-	-	5.5	267.5	-	225.0
Mongolia	MNT	90.0	0.0	-	-	0.0	0.0	-	0.0
Panama	USD	0.5	0.5	-	-	0.3	0.5	-	0.5
Peru	USD	6.0	6.0	-	-	0.2	6.0	-	6.0
Portugal	EUR	2.0	2.7	-	-	0.3	2.7	-	2.3
Spain	EUR	120.0	160.5	-	-	3.4	160.5	-	135.0
Switzerland	USD	70.0	70.0	-	-	12.2	70.0	-	70.0
United States of America	USD	3,000.0	3,000.0	-	-	9.3	3,000.0	-	3,000.0
<b>Total</b>			<b>4,573.8</b>	<b>-</b>			<b>3,919.5</b>	<b>-</b>	<b>3,780.7</b>
<b>Grand Total</b>			<b>10,202.0</b>	<b>5,829.9</b>			<b>9,747.6</b>	<b>5,829.9</b>	<b>8,745.6</b>
<b>EU Member States (Total)</b>	USD		<b>4,753.4</b>	<b>3,740.9</b>			<b>4,400.9</b>	<b>3,740.9</b>	<b>3,764.5</b>

Notes:

- Grant equivalent is calculated based on the terms in Policies for Contributors.
- United States dollars equivalent (USD eq.), based on the reference exchange rates established for GCF's High-Level Pledging Conference (GCF/BM-2015/Inf.01).
- USD eq., based on the foreign exchange rate as of 10 September 2015. Depending on the rate at the time of conversion, the USD eq. amount will fluctuate accordingly.
- The pledge from Austria was announced in USD but signed in EUR (20 million). The amount shown as signed is calculated in accordance with 1.
- Signed amount includes contributions made prior to GCF's High-Level Pledging Conference.
- Out of the United Kingdom's announced pledge of GBP 720 million, GBP 144 million is signed as a grant and GBP 576 million is signed as a capital contribution, as defined in the Contribution Arrangement.