



TOWARDS THE FULL OPERATIONALIZATION OF THE GREEN CLIMATE FUND

Informal meeting of prospective GCF Board members and other interested parties

New York City | 22-23 March 2012

MEETING SUMMARY

I. Purpose and organization of the meeting

The purpose of the meeting was to provide an opportunity for prospective Board members of the Green Climate Fund (GCF), alternates and advisers, as well as other delegations involved in negotiations related to the establishment and design of the GCF, to exchange views on the next steps in the Fund's design and operationalization.

Participants were invited to engage in an informal, structured conversation to share their views and reach a better understanding of what was agreed in the Durban Decision and the Governing Instrument of the GCF. The informal meeting was designed to prepare for, but in no way preempt, the work of the GCF Board. Recognizing that the process for nomination of Board members was ongoing, representatives of a wide range of countries and regional groups were invited.

The meeting was convened by the World Resources Institute (WRI) and Climate Analytics and facilitated by WRI, and operated under the Chatham House Rule. Twenty-four participants from 19 governments attended the meeting, representing 11 developed countries and 9 developing countries. In addition, two representatives of the interim secretariat participated in the meeting. All regional groupings were represented as were the small island developing states (SIDS). Although invited, no representative from the least developed countries (LDCs) was able to attend.

The meeting was supported financially by the CS Mott Foundation, Heinrich Böll Foundation (HBF), New York University School of Law, Oxfam International, the Rockefeller Brothers Fund and the Climate and Development Knowledge Network (CDKN). A representative of both Oxfam and HBF participated in the meeting and provided a civil society perspective on certain issues.

This note is an informal summary of the discussions prepared by WRI and Climate Analytics under their shared responsibility, and should not be taken to reflect the official positions of any government or institution present at the meeting, or of any organization that provided financial support.

II. Organizational matters for the GCF Board

Updates from the interim secretariat and other participants

Organizational arrangements for the interim secretariat: The interim secretariat informed the group that it began its work shortly after Durban, with the heads of GEF and the UNFCCC assigning a small team of core full time staff based in Bonn and larger team of part-time staff to focus on preparing for and convening the first Board meeting. A joint Steering Committee of the two secretariats has been established with four members to provide an oversight function in the absence of a head. The arrangements are provisional and temporary so that they can be adjusted in light of decisions by Board and by the head of interim secretariat, when that position is filled. It was noted that the interim secretariat is in the challenging position of having to operate without a head and in the absence of guidance from the Board until such time as the Board is constituted.

Expressions of interest to host the GCF: The interim secretariat reported it has not received any formal expressions of interest to host the GCF yet. However, representatives of Germany, Korea, Mexico and Switzerland presented updates on the status of offers that their countries are preparing; and a representative from Africa noted that Namibia has expressed interest in hosting the GCF (there was no representative of Namibia present to provide further information).

Updates on nomination of Board members: The only group that had submitted its nomination to the interim secretariat at the time of the meeting was the SIDS, who will be represented by Barbados with Samoa as the alternate. A number of other groups indicated that they have advanced in the process of nominating Board members and expect to finalize their nominees as soon as possible.

Arrangements with the interim Trustee: The interim secretariat has been in discussions with the World Bank Trustee's office, which is putting in place a financial intermediary fund for the GCF. Until this is in place, the World Bank has offered to make holding accounts available for any contributions that countries may wish to make.

III. Board priorities and organization of work

Work plan for 2012 and beyond

Elements of the 2012 work plan: Participants discussed the priorities that should be included the Board's work plan for this year, including:

- Determining a timeframe and milestones for 2012
- Developing a vision for the Fund
- Selection of the host country
- Appointing the head and other arrangements of the interim secretariat
- Arrangements for the interim trustee
- Developing terms of reference for the Executive Director of the secretariat
- Establishment of subcommittees to work on issues between Board meetings
- Arrangements between the GCF and the COP

- Determining linkages and complementarity with other funds
- Policies and procedures for the replenishment process
- Developing operational modalities to balance allocation between adaptation and mitigation
- Developing a mechanism to operationalize direct access
- Developing mechanisms for accreditation of implementing entities
- Developing a business model for the Fund
- Determining the project cycle
- Selection of financing instruments
- Arrangements for the private sector facility
- Developing environmental and social safeguards
- Developing an accountability framework

Although participants had different views on how to prioritize some of the above issues, there was a general agreement that the work of the Board in 2012 should include substantive issues as well as organizational ones, and that there should be greater clarity on how the Fund will operate by the end of the year. Some issues were raised that many felt could be left until 2013 to finalize, although initial discussion could take place in 2012.

Organization of work: The interim secretariat identified some broad clusters of issues that could be used to structure the work:

- Initial organizational issues
- Strategic issues
- Country programming
- Financial instruments
- Accountability framework
- Management policies
- Administrative policies
- Policies related to institutional linkages and relationships with other bodies

Timelines and milestones: A timeline was proposed to look at mid 2013 as a target date for the GCF to be ready to receive funds and start programming activities. This would give the Board roughly a year to put in place what is essential for resource mobilization and operationalization. A suggestion was made that the GCF Board should be ambitious and aim to begin *disbursing* funds by mid 2013. Several participants expressed the view that this timeline would be too ambitious. While some felt that it could be achieved, others stressed the need to be realistic in setting expectations and timelines. It was recognized that there is a tension between moving quickly to operationalize the Fund, and taking the time to ensure that it is designed well. An alternative suggestion was for the GCF to start disbursing funds *on a pilot basis* by mid 2013.

Several other suggestions were put forward. One participant suggested activating the GCF in stages, for example, by supporting certain functions first (such as grants and MDB blending); or by functioning initially in a “wholesale” or “fund-of-funds” manner, and moving towards a “retail” mechanism at a later stage. Several others suggested that the Fund could start to support “readiness” activities, such as building capacity for direct access and developing country programs and a pipeline of fundable activities, before the end of 2012. One participant suggested that the Board focus on developing its business model, project cycle and financial instruments in 2012; another suggested including resource mobilization in this list, and proposed that the Board provide an update on progress at COP 18 in Doha in order to enhance trust, build credibility and provide a strong signal to the COP that the Board is functioning.

Working in between meetings: It was noted that the working modalities chosen by the Board will determine the amount it can achieve by the end of 2012. There was general agreement that the Board should continue its work in between meetings. Suggestions were made to establish sub-committees to work on various topics between Board meetings; to establish work streams similar to those used in the Transitional Committee (TC) process; or to make use of the G20’s “Sherpa model”. There was also a suggestion to contract other organizations to carry out technical work in between meetings. Other participants suggested increasing the number of Board meetings being considered this year to allow more time for the Board to meet. Video conferencing was proposed as an alternative to in-person meetings, but it was noted that some countries lack the necessary facilities.

Appointment of the head of the interim secretariat and the Executive Director of the Secretariat

Appointing the head of the interim secretariat: There was a discussion on the process that should be followed for the appointment of the head of the interim secretariat, and some participants expressed concern that the selection process would be cumbersome and lengthy to recruit a person for only six months. Other participants recommended using a streamlined selection process similar to that applied in the GEF to hire someone for the short-term position. Some participants suggested that the Board could decide to request the heads of the GEF and UNFCCC to continue to play the role of heading the interim secretariat, and begin the process of recruiting the Executive Director (ED) of the independent secretariat expeditiously. It was noted that an open, transparent process should be followed whether recruiting for the head of the interim secretariat or the ED of the independent secretariat.

Profile of the head of the interim secretariat: This led to a discussion on the profile of the head of the interim secretariat, and whether the type of person needed to lead the secretariat in the initial stages of operationalizing the GCF is the same as that needed to lead the secretariat in the longer term. Some participants suggested that in the initial stage of operationalization, the appropriate person would be someone with operational and technical skills who could quickly advance the design work of the GCF, rather than someone visionary and charismatic who would be needed once the GCF is up and running.

Profile of the Executive Director: One participant highlighted that the ED will be the public face of the GCF, and as such would need to be someone who can embody the GCF and can also engage in marketing the GCF to contributors and stakeholders. There was broad support for a suggestion that the ED should be a high caliber individual, capable of leadership, advocacy, and resolving negotiations. Managerial capabilities were suggested as a desirable quality, but of secondary importance. The importance of choosing someone who is trusted both by developed and developing countries was emphasized, as this would be a prerequisite for the Board to entrust the secretariat with work. Other important qualities that were put forward included familiarity with the needs of developing countries; relevant experience in finance and climate change; charisma and capacity to engage with high level people; and credibility among contributors and recipients. One participant expressed the view that it is important to ensure “symbolic balance” between developed and developing countries, and suggested that if, for example, a developed country is selected to host the GCF; then an ED from a developing country should be selected. Another participant expressed disagreement, arguing for a purely merit based selection process.

Balancing funds for adaptation and mitigation

A number of developing country participants stressed the importance of ensuring adequate funds for adaptation, and concern that many countries that have limited mitigation potential but pressing adaptation needs should receive adequate support. Concern was also raised by one participant that the use of public funds to leverage the private sector could reduce public funding available for adaptation. It was noted by one participant that the way in which the GCF is capitalized or replenished will determine how it allocates funds to adaptation versus mitigation. Many participants agreed that the issue of programming funds, and especially that of how to ensure balance between adaptation and mitigation, is one that the Board should tackle early on.

Preparation at national level for the GCF

Steps that recipient countries need to take domestically to prepare to access funds from the GCF: Participants discussed a number of steps that developing countries need to take to begin to prepare themselves for accessing funds from the GCF while it is still being designed, including designating a national authority; nominating implementing entities; developing a policy framework and action plan such as a low emissions development plan; and identifying their priority needs for support. Early clarity on the accreditation process will help countries to prepare. It was noted that many developing countries face a challenge of inefficient coordination of funding from multiple sources going to multiple ministries or agencies; and that national designated authorities (NDAs) will play an important role in rationalizing funding flows and priorities. Establishing a steering committee at national level with broad representation across government was put forward as one way of enhancing coordination and determining priority areas for funding in recipient countries. It was suggested that national planning for

the GCF be aligned with other processes such as developing NAMAs, NAPS, NAPAs, and build on experiences with other funds, such as the Adaptation Fund.

Supporting recipient countries in preparing to access funds: Participants discussed a number of areas in which recipient countries will need support in preparing to access funds from the GCF, including support for the preparation of low carbon development plans; preparation of bankable projects and programs; and for building capacity of institutions for direct access, including capacity to implement strong fiduciary standards. A number of developed country participants noted that their governments have funds available for programming within the next 12-18 months, and are looking at options for how these could be used to support recipient countries in the “readiness” phase while the GCF is still being designed.

There was some discussion around the role of existing institutions in supporting countries to prepare for accessing funds from the GCF, and some participants felt that existing institutions would be better placed to play this role than the GCF itself. Others felt that that the Board could start to fast-track funds for “readiness” activities even before GCF is fully operational, as long as an accreditation process for implementing entities and a process for programming of funds is agreed upon. The need for early communication and coordination with existing institutions on supporting “readiness” activities in recipient countries was emphasized by several participants. A number of developing country participants noted that the Board will need to develop its operational modalities, including policies and guidelines for programming and project cycle, access modalities, and fiduciary standards, in order to give recipient countries clear guidance on how to prepare to receive funds.

Enabling direct access: The importance of ensuring direct access to funds, including for the most vulnerable countries such as the SIDS, was emphasized by one participant. A participant noted that monitoring of activities is a role usually taken on by the MDBs, and would be more difficult and potentially more costly under a direct access modality. The question of “what would a “ready” country look like, in order for donors to be comfortable with direct access?” was raised. It was noted that the needs and capacities of recipient countries differ widely and the GCF will need to ensure sufficient flexibility to meet the needs of countries facing different national contexts and challenges. A number of participants suggested that the GCF could draw on lessons learned from the Adaptation Fund on direct access, in particular on fiduciary standards. Another participant discussed a phased approach that would enable a recipient country to move towards full national ownership of and direct access to funds over a pre-defined time period, with support for building capacity and putting in place fiduciary standards in the interim, and with a progressive transfer of authority from an international implementing entity to a national implementing entity over the time period.

Staffing and resources needed for the proposed work plan

Budget for the interim secretariat: The interim secretariat has put together a provisional budget, subject to approval and changes in light of decisions by the Board, for its current operations and for the one year period from July 2012 to June 2013. The budget includes estimated staffing needs, funds for four Board meetings and travel for Board members and alternates, and the estimated costs of the interim Trustee. It was also noted that the GCF should only fund the participation of developing country participants. In the first six months it has budgeted for three full time and 10 part time staff. In the year thereafter, it estimates 12 full time and about 10 part time positions, including the head of the interim secretariat as of September 2012. The total budget estimate is USD 5.5 million. Several participants questioned why such a high amount of USD 1.13 million was budgeted for the Trustee - roughly 20% of the total budget. The interim secretariat indicated that the interim Trustee would present an explanation of what this estimate includes in the paper to be presented to the Board for its first meeting.

Funding the work of the interim secretariat: The interim secretariat noted that some funds were left over from the TC process, and that some of the contributors of these funds have authorized using them to fund the work of the interim secretariat. Denmark, Germany, Republic of Korea, and Switzerland have already offered to contribute to the start-up costs of the GCF at the Durban conference. Furthermore, Australia, the Netherlands and the UK indicated their willingness to support the work of the interim secretariat.

Technical support to the Board during and in between meetings: Several participants felt that the interim secretariat should take on preparatory technical work around substantive issues that will be discussed at Board meetings, and present the Board with working papers that provide an analysis of options. The interim secretariat proposed an arrangement in which it would provide a working paper on a topic before it is discussed by the Board, and then refine it based on the Board's discussions into a policy paper for decision making by the next meeting. The interim secretariat noted that it has limited capacity at present, and will put forward several options to address a potential human resource gap in the period before its head is selected to the Board for guidance. Options considered include relying on consultants; using experts seconded from other institutions (similar to the technical support unit (TSU) for the TC, but with staff being paid from the GCF); and identifying some posts for early recruitment. Some participants felt that the GEF and the UNFCCC should provide for the full staffing needs of the interim secretariat. It was emphasized by some participants that the Board should not be constrained by staffing issues within the interim secretariat.

Arrangements for the interim versus "permanent" secretariat: There was a lengthy discussion on the arrangements for the interim secretariat and the separation between interim and long-term arrangements. Participants from the interim secretariat reported that positions have been filled on a provisional basis, with final arrangements pending the appointment of the head of the interim secretariat. They clarified that decisions made by the interim secretariat so far will not be automatically extended beyond October 2012. This approach was taken in light of paragraph 20 of the Durban decision on the GCF that stipulates that the interim secretariat should function under the guidance and

authority of the Board. However, one participant argued that paragraph 18 of the decision - which requests the GEF and UNFCCC to establish the interim secretariat - implies that the interim secretariat will be filled with staff from the GEF and UNFCCC, and the Board should hire only its head. Furthermore, it was argued that it would be time consuming and counter-productive to follow a lengthy recruitment process for staff who would leave after a year and a half. Other participants felt that the head of the interim secretariat, once appointed, should have the authority to appoint staff, and several emphasized that the Board should not micromanage the interim secretariat. One participant suggested that it would be to the discretion of the Board to determine whether the team proposed by the GEF and UNFCCC is appropriate to respond to its needs in 2012, and whether one of the individuals proposed by the GEF and UNFCCC could serve as the head of the interim secretariat.

One participant warned that if the head of the interim secretariat will have the task of recruiting staff, there might be a gap in staffing of the interim secretariat in between the first board meeting and the recruitment of the head (estimated to be around October/November). It was suggested that this situation might be avoided if the Board were to take a decision at its first meeting empowering the GEF and UNFCCC to expand the interim secretariat such that it is fully operational. One participant suggested that the interim arrangements for the secretariat should be as short as possible, and that once the host country is selected, the Board could begin to put in place the arrangements for the independent secretariat. Several participants expressed concern that it will be difficult to hire staff on a more permanent basis until the determination of the host country is made.

IV. Preparation for the first Board meeting

Priority tasks for the Board at its first meeting

Organizational and procedural matters: There was general agreement by the participants that the Board will have to tackle a number of administrative and procedural issues at its first meeting, including:

- Election of the co-chairs
- Rules of procedure
- Process for the appointment of the head of the interim secretariat
- Organization of the interim secretariat (staffing, budget, research needs)
- Process for accreditation of observers
- Budget for 2012
- Process for the selection of the host country
- Trustee arrangements
- Number of Board meetings

Furthermore, many participants felt that it would be important to agree on the elements of a work plan for 2012 at the first meeting, including time frames and milestones; and to determine how the Board will organize its work between meetings.

Substantive issues: Several participants felt that the Board should not just cover organizational matters at its first meeting, but begin discussions on some substantive issues as well. It was suggested by one participant that the Board should initiate discussions on its business model; how to achieve transformation; its relationship with other entities; and financial instruments. Another suggested engagement of the private sector, and performance-based payments, as issues on which the Board should begin discussions as soon as possible.

Role of alternate Board members: Participants discussed various models for the role that alternate Board members should play. One participant expressed the view that the work of the Board should be done only by the 24 Board members, and not by the alternate members. Another participant argued that while alternates should not participate in formal Board meetings or vote except in the absence of the principal member, they should have a role to play in informal discussions and on subcommittees. All participants agreed that if alternates will participate at Board meetings they would *not* have the right to vote as stipulated in paragraph 10 of the GCF governing instrument, except in the absence of the principal member. One participant noted that the division of work between the principal and alternate is a sensitive issue for the nomination process. It was noted that among existing institutions there are different arrangements for alternates; on the GEF Council alternates speak only in the absence of principal members; while on the Adaptation Fund Board members and alternates can speak in parallel. There was a general agreement that the role of alternates would have to be clearly spelled out at the first meeting.

Arrangements for observers

Participation of active observers: Participants discussed the arrangements for active observers, and civil society participants at the workshop also outlined their views on how the observer process could be managed, based on a submission to the interim secretariat compiled by a number of US NGOs. They proposed a self-selection process for active observers, with an advisory committee composed of two members from each of the UNFCCC constituencies, which would play a role in short-listing nominations for the active observer seats. They noted that observers need to set an example through an inclusive, participatory and transparent process for self-selection, and emphasized the need for creative ways to ensure adequate feedback to civil society in different regions of the world. They called for active observers to participate in discussions of the Board in the same manner as Board members (although without voting rights) and for the same rights to receive documents and participate in subcommittees, and for active observers to have alternates. They also proposed that participation of observers should not be limited to active observers, but that other observers could be present at meetings without participating; and that meetings should be webcast.

Several participants noted the importance of transparency and welcomed the participation of observers and the suggestion to make information shared with Board members available to observers. Participants noted also the importance of involving all relevant stakeholders in the design and delivery of programs and projects. Several participants expressed disagreement with the suggestion to webcast meetings,

arguing that it would undermine the ability of Board members to seek compromise, and would not really enhance transparency since it would drive Board members to make decisions outside of formal Board meetings. It was noted that the GEF Council has a practice of having some executive sessions that are limited to members, which would be an option that the GCF could consider. It was suggested that the secretariat assign a staff member to be the official liaison for observers.

Interim arrangements for observers: For the first Board meeting and in the period before observers are selected, civil society participants suggested that meetings be open to all accredited UNFCCC observers. The interim secretariat mentioned that it is planning to keep the first meeting open to all accredited UNFCCC and GEF Council observers, and noted that space would be limited in the main room and so some observers may end up in an overflow room. The interim secretariat will provide for a session prior to the first Board meeting for interaction between Board members, alternates, advisors and observers for consultation.

Private sector observers: It was noted that the arrangements for private sector observers are likely to be more complicated than for civil society observers, as the business community had not yet resolved how it would like to see the process working. One participant noted a model for private sector participation that would involve bringing in people with appropriate expertise as the need arises. Another mentioned that a self-selection model for private sector representation at the CIFs through the WBCSD has been effective. The importance of engaging private sector actors from developing countries, including small and medium sized enterprises, in the design of observer arrangements was noted.

Support from the interim secretariat for the first Board meeting

Arrangements for the first meeting: The interim secretariat informed participants that it is working with the government of Switzerland to arrange first Board meeting, and looking at tentative dates of 25-27 April 2012. It will arrange two dedicated rooms on the day before the first meeting for developing and developed country Board members to consult as necessary. The interim secretariat is planning that the heads of the GEF and UNFCCC will open and convene the first meeting until the co-chairs are elected.

Technical support for meetings: The interim secretariat is working on preparing papers for the first Board meeting covering the following topics:

- Additional rules and procedures
- Observers
- Selection of host country
- Work plan
- Interim secretariat
- Administrative budget
- Process for selection of head of interim secretariat, including a draft TOR
- Arrangements for interim trustee

The papers are intended to provide an analytical basis for the discussion of the Board. Once Board members are nominated, these documents will be made available to them. A number of participants emphasized the importance of transparency, and proposed that the papers be made public on the web so that interested parties can access them before the meeting. Others felt that the documents should not be made public until the Board members have been nominated and have received them, arguing that releasing them beforehand could jeopardize the interim secretariat's perceived independence. The interim secretariat clarified that it intends to send them to Board members once they have been selected, and will post them on the website prior to the first meeting.