

BRIEFING PAPER

GREEN CLIMATE FUND

BACKGROUND

Following the Copenhagen Accord negotiated in parallel to COP-15 in 2009 in Copenhagen, COP-16 confirmed in 2010 in Cancún the collective commitment by developed countries to provide to developing countries new and additional resources, including forestry and investments through international institutions, approaching USD 30 billion for the period 2010-2012 with balanced allocation between adaptation and mitigation. In complement to this Fast-Start Finance facility, Parties also recognized the commitment by developed countries to jointly mobilize US\$100 billion per year by 2020.

The Parties further decided that a Green Climate Fund (GCF) shall be established as a new operating entity of the Convention's financial mechanism to support programmes, policies and other activities in developing countries related to mitigation including REDD-plus, adaptation, capacity-building, technology development and transfer.

The Cancún Agreements agreed upon several other new institutions and processes, such as the Cancun Adaptation Framework and the Adaptation Committee and the Climate Technology Centre and Network (CTCN). Parties also established a Standing Committee to assist the COP with respect to the financial mechanism.

At the COP-17 in Durban the basic design of the GCF was adopted officially. The design of the GCF was a central aspect of the negotiations, and the approved mandates were entered into the negotiating text of the UNFCCC's Ad Hoc Working Group on Long-term Cooperative Action under the Convention (AWG-LCA). The Parties approved the Governing instruments for the Fund and it was launched by decision 3/CP.17.

GOVERNING INSTRUMENTS

The Fund is governed and supervised by a Board of 24 members with balanced representation of developed and developing countries. The Board has full responsibility for funding decisions which are framed by several variables: authorized source of financing, special focus on LDCs and some regional areas, thematic windows, access modalities, MRV, etc.

The GCF Secretariat's roles and responsibilities, in line with decision 3/CP.17, are to manage the fund's operations on a day-to-day basis, i.e. to provide technical, administrative and logistic support. The Secretariat shall be fully accountable to the Board and shall function under its guidance and authority. An Interim Secretariat, lead by GEF and UNFCCC secretariats, was appointed until the independent Secretariat is established. Decision 3/CP.17 also requests the Board to move promptly to appoint the head of the Interim Secretariat and notes that interim arrangements are to terminate no later than by COP-19, end of 2013.¹

¹ Green Climate Fund, Arrangements for the Interim Secretariat, August 2012 (Link: http://gcfund.net/fileadmin/00_customer/documents/pdf/B1.01-12.05_Arrangements_for_I_Sec_FINAL.pdf)

The Trustee's roles and responsibilities cover the management of the financial transactions, monitoring and compliance. It will be accountable to the Board for the performance of its responsibilities. The World Bank serves as Interim Trustee for the GCF, subject to a review three years after the operationalization of the Fund.

KEY DEVELOPMENTS

Bonn Inter-sessional Meetings - May 2012

In Bonn, GCF issues were discussed under the AWG-LCA in preparation of an agreed comprehensive and balanced outcome for COP 18 in Doha. Issues related to finance were discussed in the contact group.

In regards to the GCF, many developing countries, including the African group, drew attention to the funding gap from 2013 to 2020, underscoring the need for scaling up finance and for ensuring new, additional and predictable funding:

- The G-77/China stressed that the financial institutions that “we have now” are “empty shells”. China also called for capitalizing the GCF and for the **Standing Committee** to start its work as soon as possible.
- The US and the EU raised their views that: developed countries have provided assurance that there will be no financing gap in 2012-20; a work programme on long-term finance has been established; and developed countries are fully committed to providing fast-start finance.²

Many Parties also supported a REDD+ window in the Green Climate Fund.³ Formal decision is still under the responsibility of the GCF Board who already decided to create thematic windows on mitigation and adaptation.

Some developing countries called for the consideration of **institutional arrangements** between the GCF and the COP. However, the EU indicated that the AWG-LCA was not the proper **forum** to discuss arrangements between the COP and the GCF. This raises the question of which forum will be the proper one to address this issue.

Bangkok Additional Meetings – August 2012

During subsequent contact group sessions, Parties discussed a revised note by the AWG-LCA Chair elaborating various options in particular for continuity of climate finance during the period 2013-2020 and arrangements between the GCF and the COP, including guidance to the Standing Committee to develop arrangements for the GCF. An assessment of lessons learned from the fast-start finance and finance commitments of developed countries by 2015 are also discussed.

On **continuity of climate financing** during the period 2013-2020, some developing countries asked for elaboration of reassurances by developed countries:

- Algeria, for the G-77/China, emphasized the need for: balance between mitigation and

² <http://www.iisd.ca/climate/sb36/>

³ <http://www.iisd.ca/climate/sb36/>

adaptation; and finance to ensure ambition is enhanced, highlighting public long-term finance and not transferring the financing burden to developing countries⁴

- The US distinguished between providing reassurance about continuity of finance after 2012 and having a numerical target, noting that his country was scaling up financing⁵

In regards to the **arrangements between the GCF and the COP** three options were discussed:

- The first option proposes to establish a dialogue between the Board of the GCF and the COP with a view to conclude the arrangements between the GCF and the COP.
- The second option refers to the Standing Committee to develop the arrangements to be concluded at COP-19 taking into account several elements; i) an outline of the main accountability elements of the arrangements; ii) requesting the Board to develop modalities for funding; iii) the Board jointly with the COP determines procedures for determining aggregate funding requirements of the GCF; iv) independent assessment of the overall performance of the Fund.
- The third option proposed that the Board of the Green Climate Fund prepares a draft of the arrangements as part of its report to be considered by COP-18.⁶

A decision should be taken in relation to the GCF host, arrangements between the COP and the GCF, and initial capitalization, to provide some degree of certainty.

GCF first meeting of the Board

The first meeting of the Board was held in Geneva (Switzerland) from 23rd to 25th August 2012. It addressed key issues, such as the work plan of the Board, and initiated the work towards the operationalization of the Fund, including the processes of selecting the host country of the Fund.

The Board initiated its work by electing Mr. Zaheer Fakir of South Africa and Mr. Ewen McDonald of Australia as its Co-Chairs for one year. Mr. Fakir is Acting Deputy Director-General for International Cooperation and Relations in South Africa's Department of Environmental Affairs. Mr. McDonald is Deputy Director General of the Australian Agency for International Development (AusAID).⁷

Work plan

The overall goal of the proposed work plan of the Board is to facilitate expeditious operationalization of the Fund by establishing necessary policies and procedures, with funding operations beginning in early 2014.⁸

Main outputs to be elaborated by the Board are⁸: (i) **strategic policies**, including the definition of the Fund's business model, (ii) policies on country programming and financial instruments, (iii) Policies related to the **accountability framework** and related mechanisms, (iv) management policies, covering the **monitoring and evaluation** of operations, (v) policies relating to institutional linkages, including **arrangements with the COP** and (vi) **administrative policies**, including arrangements to

⁴ <http://www.iisd.ca/climate/ccwg17i/>

⁵ <http://www.iisd.ca/climate/ccwg17i/>

⁶ http://unfccc.int/files/adaptation/application/pdf/fin3e_v4.pdf

⁷ http://gcfund.net/fileadmin/00_customer/documents/pdf/GCF_-_Press_Advisory_Aug_25.pdf

⁸ http://gcfund.net/fileadmin/00_customer/documents/pdf/B.01-12.04_Work_plan_of_the_Board_FINAL.pdf

establish the independent Secretariat in the host country and arrangements with the Trustee

Second meeting of the Board

The met for the second time in Songdo, Republic of Korea, on 18-20 October 2012 where it made a decision to select Songdo, South Korea to host the Fund. The decision is pending endorsement by COP at Doha.

In addition to the important selection of host country, the bBoard agreed on a work program for 2013, which focuses on some of the main design issues to make the GCF operational.

NEXT STEPS

Doha what to expect?

Institutional arrangements

The institutional arrangement between the GCF and the COP is to be discussed further at COP18. Further, the relationship between the GCF and the Standing Committee would also require further consideration.

The Standing Committee's mandate, as decided during COP-17, is to assist the COP in exercising its functions with respect to the financial mechanism of the Convention. It had already two meeting, the first in Bangkok Thailand on 6-8 september 2012 and the second one in Cape Town South Africa on 4-6 october 2012.⁹

Funding

Financing gaps within and beyond GCF are an issue. Some of the discussions on financing gaps are closely connected to long-term finance negotiations. Please see our briefing paper on long-term finance for further analysis.

GCF next meeting of the Board

One priority on the agenda for the next Board meeting is the structure and strategy the fund will use to carry out its functions, or its "business model" i.e. determining how the GCF conduct its work - including how it will interact with the private sector and how countries will access funds.

Also on the agenda for the first meeting next year are modalities for readiness support, establishment of an independent secretariat, selection of the head, and figuring out resource mobilization, which is critical to ensuring that the fund is not an "empty shell".¹⁰

⁹ http://unfccc.int/cooperation_and_support/financial_mechanism/standing_committee/items/6877.php

¹⁰ <http://www.trust.org/alertnet/blogs/climate-conversations/green-climate-fund-meeting-highs-lows-and-a-host-country>