

Developing countries submit document for Green Fund establishment at second meeting of Transitional Committee.

Panama City, 1 October 2011,(Meena Raman) – A group of 13 developing countries formally tabled a document on the operational elements for the establishment of the Green Climate Fund on the final day of the meeting on 14 July 2011 of the 2nd meeting of the Transitional Committee (TC) in Tokyo, to design the Green Climate Fund (GCF) under the United Nations Framework Convention on Climate Change (UNFCCC).

The document was tabled by Egyptian member of the TC, Dr. Omar El-Arini on behalf of Argentina, Burkina Faso, China, the Democratic Republic of Congo, Egypt, El Salvador, Gabon, India, Morocco, Nicaragua, Philippines, Saudi Arabia and Zambia. Brazil, Pakistan, Singapore and Peru gave support to the document from the floor, and Japan welcomed the initiative of the developing countries as an input to the work of the TC.

(The TC was established under the Cancun decision adopted last year by the Conference of Parties (COP) of the UNFCCC to develop and recommend to the 17th session of the COP for its approval operational documents relating to the design of the GCF. The TC is comprised of 40 members, 25 of whom are from developing countries).

In formally tabling the document on behalf of the 13 developing countries, Dr. El-Arini of Egypt said that he hoped that “the submission at this stage in our discussions will help to advance our work by collecting the views of a number of Parties, and encapsulating these in a form that can contribute to the operational documents we are mandated to prepare for consideration of the Conference of the Parties.”

He explained that “the first part, entitled ‘Operational Elements for the Establishment of the Green Climate Fund’ sets out our collected views on the items described in our terms of reference, including those

we are addressing in each of the work-streams. It addresses issues such as: ‘Objectives, principles and scope’; ‘Governance and institutional arrangements (including the Board, Secretariat, Trustee, expert and technical input)’; ‘Financial and operational modalities’; as well as ‘Arrangements for monitoring and evaluation.’ The document also responds to our specific mandate to develop rules of procedure for the Board, which are set out in an Annex.”

“In preparing this contribution to our work, we have drawn extensively on the experience of developing countries with a wide range of funds, including the Global Environment Facility, the Adaptation Fund, Multilateral Fund (of the Montreal Protocol) and other funds. We have also sought to draw on many of the excellent submissions by various TC Members as well as information prepared by the Technical Support Unit and observer organizations including civil society,” added Dr. El-Arini.

Dr. El-Arini stressed that “this document is a draft document and compilation of initial views and proposals by many TC members, and it does not preclude any further submissions by the TC members supporting it. In this regard we note good alignment between some of our proposals and those put forward by members and co-facilitators.”

Dr. El-Arini also wanted the formal tabling of the document reflected in the report of the TC meeting and requested that copies of the document available to all TC members.

Some of the highlights of the document (which was made available to TWNN) are as follows:

On the **legal status** of the GCF, “The Fund, as a body under international law, shall be endowed with a juridical personality. Consequently, the Fund shall enjoy such legal capacity as is necessary for the exercise of its functions and the protection of its interests, in particular the capacity to enter into

contracts, to acquire and dispose of movable and immovable property and to institute legal proceedings in defense of its interests.”

As regards the **objectives**, “The Fund will contribute to the full, effective and sustained implementation of the UNFCCC, in relation to implementation of commitments for the provision of financial resources to developing country Parties, as mandated under relevant provisions of the Convention, including its Articles 4.3, 4.4, 4.5, 4.8 and 4.9 and in accordance with Article 11 of the Convention.”

“The Fund will manage the large scale of financial resources from a number of sources and deliver through a variety of financial instruments, funding windows and access modalities, including direct access, with the objective of providing adequate and predictable financial resources to developing countries for the implementation of climate-related policy measures, activities and actions, and achieving a balanced allocation between adaptation and mitigation. The Fund will contribute to the goal of achieving coherence in the global financial architecture for the financing of climate-related activities, under the authority and governance of the Conference of Parties.”

Among the **principles** to guide the Fund include: “The Fund will operate under the authority and guidance of, and be fully accountable to, the Conference of Parties; The Board of the Fund will have an equitable and geographically balanced representation of all Parties within a transparent and efficient system of governance; The Fund will enable direct access to funding by the recipient countries; The Fund will be country-driven and demand-driven, with recipient countries being involved during the stages of identification, preparation and implementation, and responding to the needs and circumstances of the developing countries. The Fund will recognize, promote and strengthen the significance of engagement at the country level, in order to give effect to the principles of a country-driven approach, and direct access to funding; The Fund will make optimal and appropriate use of the full range of means of implementation available to allow for large scale of implementation; and the Fund would facilitate linkages between the various funding sources and separate funds in order to promote access to the variety of available funding sources and reduce fragmentation.”

On **governance**, “The Fund shall be governed by a Board which shall supervise and manage the Fund, under the authority and guidance of the Conference of the Parties, and shall be fully accountable to the Conference of the Parties which shall decide on its overall policies in line with relevant decisions. In implementing the principle of accountability to the

COP, the Board shall submit annual reports to the Conference of the Parties for its consideration and deliberation, on various operational matters...”

“The **functions of the Board** shall include: “To administer the Fund in accordance with the policies, programme priorities and eligibility criteria related to the Convention as decided by the Conference of the Parties; To develop specific operational policies and guidelines, including programming guidance and administrative and financial management guidelines, and to report to the Conference of the Parties; To decide on projects, including the allocation of funds, in line with the Fund’s principles, criteria, modalities, policies and programmes; To oversee the operation of all relevant organs of the fund including the trustee, secretariat, sub-committees, implementing agencies, and expert, advisory and evaluation panels; To develop draft legal and administrative arrangements for secretariat services and the interim trustee for approval by the Conference of the Parties.”

In relation to ensuring a **country driven approach**, “The Fund shall adopt an approach that is driven by recipient countries to support them to more effectively implement climate policies, measures, actions and activities. Consequently, the Fund shall allocate resources in the most appropriate forms and for the most appropriate uses that are suitable for the recipient countries. The Fund shall tailor its strategy and approach to the needs and circumstances of each country; therefore a country driven approach is required, with the full participation of the countries concerned.”

On the **scope and mandate**, “The scope and the thematic areas of the Fund is shall be based on the mandate established in the Convention, as well as relevant decisions of the Conference of the Parties, and any future decision relating to the Fund. The Fund, as an operating entity of the financial mechanism of the Convention, shall address the following thematic areas: (a) Adaptation activities; (b) Mitigation activities; (c) Technology development and transfer; (d) Capacity building of and institutional development in developing countries; and (e) Information and processes taken to implement the Convention. The COP and the Board can designate sub-themes linked to the above.

On the **size and scale of the Fund**, “The Fund shall manage a large scale of financial resources from a number of sources and deliver through a variety of financial instruments. The Fund shall take into account the various commitments made in relation to climate financing, including the commitment by developed countries to provide new and additional resources, approaching USD 30 billion for the period 2010–2012; that scaled-up, new and additional, predictable and adequate funding shall be provided to

developing country Parties; that developed country Parties commit to a goal of mobilizing jointly USD100 billion per year by 2020 to address the needs of developing countries; and that a significant share of new multilateral funding for adaptation should flow through the Fund.”

“The Fund shall make arrangements to determine in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed taking into financial needs identified by the developing country Parties in accordance with Article 11 of the Convention. The Fund will also seek to mobilize financial resources..”.

As regards **full and incremental costs**, “The Fund shall provide information relevant to the determination of the amount of funding necessary for the implementation of the Convention including, *inter alia*, through an evaluation, in relation to each of the thematic areas covered by the Convention and collectively, of the type of costs to be covered including those which are to be financed at agreed “full costs” and at agreed “full incremental costs”, as well as financing required to address other commitments described in the Convention for consideration by the COP. Drawing on recommendations by thematic bodies on the areas and types of costs to be covered, and on the methodologies and guidelines established, the Fund may estimate the scale of financing needed in accordance with Article 11.3(d) of the Convention. The Fund shall make a plan for the phasing in of the volume of resources, including activities that require funding in the initial phase of the Fund, and the next phases.”

On the **operational modalities** in relation to the **sources of finance**, “The financial contributions should be principally in the form of grants. To the extent concessional finance is provided, only the grant or concessional element should be counted as new and additional (as is the historical practice of key donors).”

“In accordance with Article 4.3 and relevant decisions of the COP, the provision of financial resources shall reflect appropriate burden sharing among the developed country Parties. The Fund shall develop a more systematic method for assessing and allocating the responsibility among the developed countries to provide adequate and predictable, new and additional financial resources.”

“The Fund shall utilize a systematic method in evaluating the level of financial resources required to implement the Convention, which shall address: (a) consideration of the scale of financing required in

aggregate to reflect the total scale of financing necessary for the implementation of the Convention by developing country parties to the Convention; and (b) consideration of the means for the appropriate burden sharing among developed country Parties which can be assured through the development of a scale of assessed contributions, similar to the practice adopted within the United Nations.”

On the **delivery and uses of funds**, as regards **direct access**, “Eligible Parties shall be able to submit their project proposals, prepared in accordance with project preparation eligibility criteria agreed by the Board, either directly to the Fund Board or through an implementing or executing agency chosen by them.”

“In accordance with the Convention, including its Article 4.3, all developing countries, without discrimination or any form of exclusion, are eligible to receive financial resources for the implementation of measures set out in Article 4.1 of the Convention...”

On **fiduciary standards and financial management**, “The implementing entities designated to receive the funds and to allocate and use them shall abide by the principles of financial accountability and good fiduciary standards. These principles and standards may cover financial integrity and management, institutional capacity and implementation.”

In engaging with the **private sector and other economic entities**, “The private sector in developed countries is encouraged to make supplementary contributions and donations to the Fund. However, resources of the Fund should not be used for subsidizing corporations or financial institutions of developed countries (as the Fund is established to provide resources to developing countries). Such contributions shall not include payments by companies for offsetting in the carbon trade, as financial resources provided by carbon markets are to enable developed countries to implement their mitigation commitments and are not contributions towards the financing commitment of the developed countries in accordance with the Convention.”

“The Fund will encourage governments in developing countries to make use of a variety of instruments to engage with their economic public and private institutions and units, including major companies, small and medium enterprises, the urban informal sector, and the rural farmers, and to support their engagement in national efforts for mitigation, adaptation, technology development, capacity building and institutional development. A variety of financing instruments such as subsidies, tax breaks, concessional loans, public investment in agricultural programmes, may be employed at the national level in order to incentivize the economic units of developing

countries. The incremental cost to the public and private sector to make changes for mitigation or adaptation, and various types of the relevant public-sector expenditure in incentivizing the private economic units, may be eligible to be financed through the Fund.”

On **monitoring and evaluation**, “The Board is responsible for the strategic oversight of projects and programmes implemented with resources from the Fund. The Board or a designated sub-committee of the Board, with support of the Secretariat, will monitor the Fund’s portfolio of projects and programmes... There shall be periodic independent evaluations of the performance of the Fund, which shall address factors including, *inter alia*, the performance of the Fund; evaluation of the Secretariat and the interim Trustee; assessments of the appropriateness of Fund’s structures, operations and policies; the effectiveness of the work of the thematic windows and areas, and the impacts on the recipient countries of the activities and programmes supported by the Fund.”

On **‘environmental and social safeguards’** “The programmes and projects to be funded should be environmentally and socially appropriate, and in line

with the objectives and principles of the Fund. However, the assessment and procedures to ensure they meet minimum environmental and social standards should not become conditionality. The Fund through the technical and expert panels provided by the thematic bodies under the Convention will ensure the applications of environmental and social safeguards to the funds activities, including for the technology transfer and development.”

The tabling of the document took place in the afternoon session of the TC meeting which was chaired by South African Minister, Mr. Trevor Manuel. Mr. Manuel, referring to Dr. El-Arini said that “If you look around the room, anyone of us could have drafted the document.” He said that what was needed was an inclusive process that takes collective ownership through a process that is open and transparent. He said that it was important to work through the document in stages and that the document distributed by Dr. El-Arini could be considered but “members were not there yet in the level of detail”.