



Successful start for the design of the Green Climate Fund¹

By Sven Harmeling², with support from Linde Griesshaber

On April 28 and 29, the first meeting of the so-called Transitional Committee (TC) took place in Mexico-City. The TC emerged from the climate summit in Cancún and is tasked to develop the details of the new Green Climate Fund (GCF). The GCF is expected to become the central international instrument to finance the rainforests' and climate's protection as well as to finance adaption to climate change. The main goal is to compile proposals until the next climate summit in Durban in December 2011, which need to be sufficiently comprehensive so that the GCF can be filled with resources and start its work.

This briefing paper elucidates the main background of the TC and the GCF and summarises the most important discussions and decisions taken at the TC's first meeting. An official report on the meeting prepared by the UNFCCC Secretariat is expected to be published soon.³

1. Background and Preparation of the Transitional Committee's (TC) first meeting

One of the central results of Cancún, which was also recognized in public, was to establish a new multilateral climate fund, the so called Green Climate Fund (GCF). While the interpretation, covered up in many media, that it was decided in Cancún that USD 100 billion would be channelled through the GCF annually by 2020 definitely lacks a basis, there is the expectations towards the GCF that it reaches a new magnitude of order, to binary billion amounts, which is far beyond the amounts of previous climate funds. For this reason the GCF could play a central part in fulfilling the adaptation needs of the most affected countries and in triggering investments into transformational policies in developing countries to a low carbon development. However, it is also clear that the GCF will not be the only channel and significant parts of the promised 100 billion will continuously be spent through other bilateral and multilateral instruments.

1.1 Guidance provided by the Cancún decision

The decision of the Conference of the Parties (COP) in Cancún determined relatively few details on the GCF: the number of members of the future board of the fund as well as an equal distribution between developed and developing countries in the board; the decision to set up an independent secretariat for the fund; the selection of the World Bank as a functionally restricted interim trustee. For the negotiations of other central details the Cancún decision gave a relatively clear mandate to the TC this year. The task is to prepare the basis for the operationalization of the fund on the level of Parties so that the required documents could be accepted by the COP in Durban. Afterwards the board

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² Contact: harmeling@germanwatch.org

³ See http://unfccc.int/cancun_agreements/green_climate_fund/items/5869.php

will have to manage the fund itself. The TC's Terms of Reference for this year (annex 1) lists a set of tasks, which could be clustered for example into the following category groups:

- legal arrangements (e.g. rules for the board to find decisions, status of the secretariat),
- financial modalities (used finance instruments, complementary to other funds),
- aspects of evaluation and safeguards (e.g. ecological- and social standards, mechanism for continuous evaluation), plus
- participation (experts as well as observers).⁴

This is definitely a challenging agenda with the aim to end the TC's work until the next COP in South Africa. But the possibility of making a fund work within a few months was shown nearly ten years ago by the so called "Transitional Working Group". Focussed work made it possible to prepare the Global Fund to fight HIV/Aids, Tuberculosis and Malaria in roughly half a year.⁵

1.2 Composition of the TC

The beginning of the TC's work was clouded by controversies. The Cancún decision envisaged that different regional country groups would appoint their representatives till the end of January so that the first TC meeting could take place in March. Of all things it were those country groups which are usually seen as having weaker capacity - Africa, Least Developed Countries (LDC), Small Island Developing States – who were able to hold the deadline, while country groups from Asia, the Caribbean and Latin America could only finish their nominations after the climate negotiations in Bangkok on the beginning of April. The pressure of these countries led to the delay of the first conference which was scheduled for March 14 and 15 by the UNFCCC Secretariat and the Mexican COP presidency. Right before the first meeting on end of April all participants were nominated. Altogether the TC includes 40 members, 15 from developed countries and 25 out of developing countries. (annex 2 shows a list of the members). They cover a very broad spectrum of expertise and political levels – from finance ministers to UNFCCC negotiators to central bank presidents.

2. Central discussions and results of the TC's first meeting

As main actors the secretariat of the UNFCCC and the Mexican COP presidency proposed an agenda as preparation for the first meeting, which dealt mainly with aspects around the organisation of work.⁶ This was necessary and logical to start content-based work. In the course of the discussion some members of the TC (e.g. the Small Islands States, UK and the African group) provided specific papers on some aspects, which will likely be considered during the TC process.

2.1 Triple chair on the road to Durban

As usual in such processes the chairman of the TC had to be appointed at the beginning of the meeting. In the weeks before the meeting it became apparent that the Mexican finance minister as a representative of the incumbent COP presidency and the South African minister for planning as a representative of the future presidency would be considered as one option of a chairmanship team - with the South African minister as vice-chair. This was a political interesting approach because usually the presidency is shared between representatives from developing and developed countries instead of two representatives out of newly industrialising countries. Because of the fact that the TC

⁴ S. Harmeling, S. and B. Müller, 2011: What to do now? Elements for organizing the Transitional Committee to establish the Green Climate Fund, based on lessons learned from the Global Fund experience. Oxford Energy and Environment Brief, Januar 2011.

⁵ s. Müller, B. und S. Harmeling, 2010: 'In the Footsteps of the Global Fund: How to establish the new climate fund', COP 16 Outreach, 30 November 2010. www.stakeholderforum.org/fileadmin/files/OUTREACH-02.pdf.

⁶ http://unfccc.int/files/cancun_agreements/green_climate_fund/application/pdf/provisional_agenda.pdf

has to produce results till the COP in Durban , from which on South Africa will take the lead from Mexico, the highlighted part of South Africa is important (however the South African representative took not place at the TC meeting).

The discussions about the chairs were held behind closed doors. The result was on the one hand that the representatives from Mexico, South Africa and Norway will share the presidency of the TC as equal chairmen. On the other hand it became apparent that the chairmen are expected to coordinate the TC and not to control the TC in a dominant fashion. The following debates pointed out that the Asian representatives wanted to highlight their part e.g. through an Asian co-presidency. This proposal was seen as important and adequate, also by the other TC members. Asia represents nearly half of the world's population. A decision wasn't taken inter alia of the late hour so that the debate will be continued till the next meeting.

2.2 Which role for the GCF? Prelude to the central discussion

The decision of Cancún contains only a vague picture of the exact role of the GCF. It should act as an official operating entity of the financial mechanism of the Convention and should finance projects, programs, politics and other activities in developing countries using thematic windows.⁷ But what does this mean in the light of the fact that there are other funds in the UNFCCC and much more outside the UNFCCC? Of course these questions couldn't be answered at the first TC meeting, but in particular following a proposal made by the Samoa the members spent some time to exchange their views on the purpose, principles and scope of the fund. Germanwatch estimates the exchange as very useful and important because it has shown that there are many common views about the role of the fund in central points. Certainly there are also diverging views, which will become more apparent when going into detail. But specifically the following aspects were mentioned by many members:

- The GCF should have an added value compared to existing funds by overcoming their weaknesses;
- Difference in scale: Both developing and developed countries expressed their expectation that the GCF will operate in another scale as other existing funds to contribute to central goals such as the 2°C limit. The exact scale isn't defined yet but in face of the dimension of the challenge of climate change and the pressure of time demands for a binary billion annual scale of the fund are definitely adequate in the view of Germanwatch;
- The big scale also incorporates the expectation that the GCF would not only finance many small projects but rather seeks to fund measures which contribute to a transformation to a low carbon and climate resilient development;
- It is important to mobilise the private sector as investor especially in climate protection, without trying to downplay the crucial role of public finance from developed countries and innovative sources;
- Not only developing countries but also many developed countries highlighted the importance of direct access with a higher responsibility in recipient countries. This has to be arranged in a way that contributes to effective measures and results;
- The GCF should work transparent, self-contained and independent.

⁷ Para 102 of the Cancún decision: “Decides to establish a Green Climate Fund, to be designated as an operating entity of the financial mechanism of the Convention under Article 11, with arrangements to be concluded between the Conference of the Parties and the Green Climate Fund to ensure that it is accountable to and functions under the guidance of the Conference of the Parties, to support projects, programmes, policies and other activities in developing country Parties using thematic funding windows; “

Not surprisingly it becomes apparent that one of the central debates will be about the necessity of result-based and efficient approaches on the one hand and the request for easy and unbureaucratic finance modalities on the other hand. Finding a proper relation is of central meaning. Thereby it is important to investigate the opportunities that a shift of responsibilities into the developing countries (e.g. in line with direct access) may entail as a measure to increase the efficiency. It has been pointed out that it's not efficient to examine thousands of projects in more than 100 countries in every detail on global scale.⁸

It will be necessary to keep the discussion about the specific function and central principles of the fund ongoing. This has to be done in parallel and linked to the elaboration of the precise finance modalities of the fund in the months to come.

2.3 Relations between TC and technical support

According to the decision of Cancún, the UNFCCC Secretariat has started to build up a Technical Support Unit (TSU) to support the TC's work. Organisations like the World Bank, UNEP and other international actors have agreed in the sense of the Cancún decision to provide staff for the TSU. There is no doubt that the TC needs technical support with a broad contextual expertise to reach its ambitious goals in the short period of time. That's why many countries wish for a strong TSU.

However, experiences of the past show that working with such a unity contains the risk of pre-determined results. This is why many TC members adverted to the necessity of a division of labour. The TSU has to function as a helpdesk which e.g. prepares background papers about the function of existing funds, but based on a mandate given by the TC so that the process is still driven by the TC. In addition it is Germanwatch's view that the TSU focuses on providing background information while the textual progress still should be primarily in the hands of the members of the TC.⁹

One subject of the discussions in Mexico were suspected and existing conflicts of interest of TSU members. This refers - not only but in particular - to the World Bank which will function on the one hand as trustee of the GCF. But on the other hand the World Bank manages the Climate Investment Funds (CIFs) which are the biggest existing multilateral climate funds. The future of the CIFs is pretty doubtful because the CIFs shall be concluded if another structure for climate finance - like the GCF - would be established¹⁰ under the UNFCCC. A big role of experts from the World Bank in the TSU could lead to arrangements which provide specific advantages to the World Bank, it is feared. It is counted as an open secret that in particular the USA watches the CIF as a paragon for the GCF and they wish a big role for the World Bank.

Altogether having a strong contextual TSU is essential whose mandate is determined by the TC, its chairmen and the working thread facilitators (see below). The explanations of Christiana Figueres, the Executive Secretary of the UNFCCC Secretariat concerning the standing of the TSU and its approach, finally left a good impression to Germanwatch that the process is in good hands. The attached doubts have to be kept in mind but they should not be overestimated. She explicitly said that she feels responsible for the administrative governance of the TSU but the TSU is contextually subordinated to the TC. The main part of the TSU will resident in Bonn but it is planned to involve other experts from other actors in a peripheral manner.

⁸ See also Müller, B. 2011: Speaking Notes for the ecbi Finance Circle Dinner with Transitional Committee members in Mexico City, 28 April 2011. <http://www.eurocapacity.org/finance/documents/ecbiFC%20Mexico%20Speaking%20Notes.pdf>

⁹ S. auch Harmeling und Müller, 2011

¹⁰ <http://www.climateinvestmentfunds.org/cif/designprocess>, accessed 02 May 2011.

2.4 Organisation of work and next meetings

The Terms of Reference (ToR) of the Cancún agreement outline the central subjects for the TC with an obligatory character. Based on the proposal of the chairmen there was a division of the central subjects into four work streams to increase the efficiency of the TC work. Each work stream is led by a representative from a developing country and a developed country (s. table 1), an approach which is usual in the climate negotiations.

Table 1: Work streams and co-facilitators

Work stream	Facilitators
WS1: Scope and guiding principles	Spain and Barbados
WS2: Governance and institutional arrangements	Switzerland and Republic of the Congo
WS3: Operational modalities	Australia and Pakistan
WS4: Monitoring and Evaluation	Sweden and Bangladesch

It will be challenging to promote the work in the specific work streams in an efficient and focused manner on the one hand and on the other hand to merge the work progress again and again. For this to achieve, a good cooperation of the co-facilitators of the work streams and the chairmen of the TC will be crucial. The first meeting didn't succeed to formally decide more details on the work streams' functioning officially. This includes detailed content of the work streams so that advancements in preparation to the next meeting are essential.

Furthermore the TC agreed on an indicative schedule for three additional meetings and two technical workshops this year. Some of the countries offered to arrange several meetings so that there is a provisional schedule for the remainder of the year (s. table 2)

Table 2: Provisional time frame of the TC

Meeting of the TC	Date	Location
1. Meeting	28/29 April	Mexico City
1. Technical Workshop	beginning of June	Bonn (during or before/after the UN-Climate -Negotiations)
2. Meeting und 2. Technical Workshop (Review of the existing funds)	first half of June	Tokyo (Japan in cooperation with Norway)
3. Meeting	September	maybe Switzerland
4. Meeting	end of October/ beginning of November	still open
COP17	28.11.-9.12.	Durban, South Africa

Additionally South Africa (in absence) and Singapore offered generally to arrange a TC meeting. However meeting deferments - particular the meeting in November- are possible because of religious feasts. In addition it was suggested that TC members shall deliberate between the meetings through a website facility.

2.5 What role for civil society and other observers?

Due to the fact that there were only first deliberations in Mexico and no conclusions on the rules of procedure it is still an open question how civil society and other observers will be enabled to take part

in the TC process. Pleasantly youth representatives and representatives of environmental and developing organisations were invited to present two statements on their perspectives during the TC meeting. Thereby they were able to highlight the demand for the required ambition as well as to suppose specific suggestions on the inclusion of civil society. This includes the recommendation that representatives, self-selected by NGOs, would be able to take part as “active observers” continuously in the TC's discussions and that they could suggest agenda items and would have the right to speak. These two statements were generally picked up positively by many TC members but specific modalities are only anticipated at the next meeting.

It has to be seen critically that the central background documents - prepared by the UNFCCC Secretariat - were not released to the public in advance, and even observers who took part in the TC meeting couldn't get official access to the documents. At international funds and in the UNFCCC process in general it is common practice to release all documents previous to meetings in order to enable an accordant participation. This should also be the case in the following TC meetings to fulfil the transparency requested in the Cancún decision and to preserve the reliability of the process.

3. Agreement on an empty fund in Durban?

It is not up to the TC to decide exactly how much money it will receive from which sources. It is obvious that an operationalisation of the fund without the clear prospect that it will be filled with money cannot be sold as a big success. Therefore substantial progress in funding is needed until Durban in order that the fund can play its intended role. This includes in preposition to Durban

- Finance pledges by developed countries, which need to be taken into account already now in the preparation of national budgets (beyond 2012);
- Progress in launching innovative financial sources such as revenues from aviation and maritime transport as well as taxes on financial transactions. The G20 process offers an important opportunity to promote these topics. The EU should further concretise options for the unilateral coverage of maritime emissions in its Emission Trading Scheme. An increase of the EU's mitigation target up to 30% would raise the EU's emission trading revenues. Half of the money could be used for climate funding. Germany, as another example, could decide to use the already implemented flight ticket to channel revenues in particular to the GCF.
- The Budget Committee of the German Bundestag should remove the lock flag to additional international climate funding in the context of the federal special fund in the next months, especially because of the increasingly constructive and ambitious role of many developing countries and newly industrialising countries.

But of course substantial progress in the fund's design is indispensable. In particular, many developed countries as well as the Executive Secretary of the UNFCCC referenced explicitly that only if the GCF will be constructed in a manner that it contributes significantly to the essential climate policy objectives it can be expected that it will receive substantial resources from developed countries.

4. Conclusion

Altogether Germanwatch sees the TC's first meeting as a constructive start into this year's work. For instance some TC members underlined that they have to work together as a team. There's a lot of work in front of the TC to achieve an adequate agreement until COP17 in December 2011. A central task to civil society is to build up public pressure and to take part with constructive suggestions in order to facilitate success in the fund's negotiations as well as in generating essential money to finance climate. This is the second central domain - beside the mitigation targets - which could build up a necessary dynamic towards more climate protection.

Annex 1

Terms of reference for the design of the Green Climate Fund

1. The Transitional Committee shall recommend to the Conference of the Parties for its approval at its seventeenth session and shall develop operational documents that address, inter alia:

- (a) The legal and institutional arrangements for the establishment and operationalization of the Green Climate Fund;
- (b) The rules of procedure of the Board and other governance issues related to the Board;
- (c) Methods to manage 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 achieving balanced allocation between adaptation and mitigation;
- (d) The financial instruments that the Fund can use to achieve its priorities;
- (e) Methods to enhance complementarity between the Fund's activities and those of other bilateral, regional and multilateral funding mechanisms and institutions;
- (f) The role of the secretariat and the procedure for selecting and/or establishing the secretariat;
- (g) A mechanism to ensure periodic independent evaluation of the Fund's performance;
- (h) Mechanisms to ensure financial accountability and to evaluate the performance of activities supported by the fund. to ensure the application of environmental and social safeguards, as well as internationally accepted fiduciary standards and sound financial management to the fund activities;
- (i) Mechanisms to ensure appropriate expert and technical advice, including from relevant thematic bodies established under the Convention;
- (j) Mechanisms to ensure stakeholder input and participation;

2. In the conduct of its work, the Transitional Committee shall:

- (a) Convene its first meeting by March 2011;
- (b) Encourage input from all Parties and from relevant international organizations and observers;
- (c) Take into account the findings of relevant reports;

Quelle:UNFCCC Decision 1/CP.16, Seite 28

Anhang 2: Liste der Mitglieder des TC

Annex 2: List of the TC's members

Member	Party	Regional Group/ Constituency
Mr. Michaël Adande , President of the Development Bank of Central African States	Gabon	Afrika
Mr. Omar El-Arini , Member of Board of the Egyptian Environmental Affairs Agency	Egypt	Afrika
Mr. Rachid Firadi , Head of Multilateral Cooperation and GEF Unit, Secretariat of State in charge of Water and Environment/Environment Department	Kingdom of Morocco	Afrika
Mr. Newai Gebre-ab	Ethiopia	Afrika
Mr. Trevor Manuel , Minister in the Presidency of the Government of the Republic of South Africa: Planning	South Africa	Afrika
Mr. Tosi Mpanu Mpanu , Director of the Designated National Authority for the CDM and Climate Change Negotiator	Democratic Republic of Congo	Afrika
Mr. Idrissa Ouedraogo , Professor, Head of the Economic Department of the University Ouaga 2, and Director of the Laboratoire d'analyse et de politique économiques (LAPE)	Burkina Faso	Afrika
Mr. Ahmed Mohammed Al-Abdulkader , Delegate of the Kingdom of Saudi Arabia to the UNFCCC and KP, Associate Research Professor and Assistant Director for Scientific Affairs - Natural Resources and Environment Research Institute - King Abdulaziz City for Science and Technology	Saudi Arabia	Asia
Mr. Burhan Gafoor , Ambassador and Chief Negotiator for Climate Change	Singapore	Asia
Mr. Hyung-Hwan Joo	Republic of Korea	Asia
Mr. Farrukh Khan	Pakistan	Asia
Ms. Bernarditas Muller , Consultant of the National Climate Change Commission of the Philippines	Philippines	Asia
Mr. Yaga Venugopal Reddy , Emeritus Professor, University of Hyderabad, former Governor - Reserve Bank of India	India	Asia
Mr. Weifeng Yang	China	Asia
Mr. Carlos Gerardo Acevedo Flores , President of the Central Reserve Bank of El Salvador	El Salvador	Latin America and the Caribbean
Mr. Ernesto Cordero Arroyo , Minister of Finance	Mexico	Latin America and

and Public Credit of Mexico		the Caribbean
Ms. Vanesa Valeria D'Elia , Advisor to the Minister of Economy and Public Finances on Climate Change issues	Argentina	Latin America and the Caribbean
Mr. Javier Roca Fabián , Ministry of Economy and Finance,	Peru	Latin America and the Caribbean
Ms. Audrey Joy Grant , Ambassador of Belize to Belgium and the European Community	Belize	Latin America and the Caribbean
Mr. Paul Oquist Kelley , Minister and Private Secretary for National Policies, Presidency of the Republic of Nicaragua	Nicaragua	Latin America and the Caribbean
Mr. Sergio Barbosa Serra , Special Ambassador for Climate Change of Brazil	Brazil	Latin America and the Caribbean
Ms. Naoko Ishii , Deputy Vice Minister of Finance, Ministry of Finance, Japan	Japan	Developed Countries
Mr. Alexander Kvasov , Adviser to the Minister of Finance,	Russian Federation	Developed Countries
Ms. Marisa Lago , Assistant Treasury Secretary for International Development and Markets, Department of the Treasury,	United States of America	Developed Countries
Mr. Kjetil Lund , State Secretary, Ministry of Finance	Norway	Developed Countries
Mr. Ewen McDonald , Deputy Director General, Australian Agency for International Development,	Australia	Developed Countries
Mr. Bruno Oberle , Director-General, Swiss Federal Office for the Environment	Switzerland	Developed Countries
Mr. Rob Stewart , Assistant Deputy Minister, International Trade and Finance Branch, Finance Canada	Canada	Developed Countries
Mr. Per Callesen , Executive Director, Nordic-Baltic Constituency in the International Monetary Fund, and Governor, Central Bank of Denmark	Denmark	Developed Countries
Mr. Jan Cedergren , Sweden	Sweden	Developed Countries
Mr. Andrzej Ciopinski , Deputy Director of the International Department of the Ministry of Finance	Poland	Developed Countries
Mr. Nick Dyer , Director Policy, Department for International Development (DFID)	United Kingdom	Developed Countries
Mr. Manfred Konukiewitz , Deputy Director General, Global and Sectoral Policies Federal Ministry for Economic Cooperation and Development (BMZ)	Germany	Developed Countries
Ms. Francesca Manno , Director in the International Affairs Directorate of the Treasury Department, Ministry of the Economy and Finance of Italy	Italy	Developed Countries
Ms. Alicia Montalvo Santamaria , Director General	Spain	Developed

of the Spanish Climate Change office		Countries
Mr. Remy Rioux , Deputy Assistant Secretary for Multilateral Financial Affairs and Development, Directorate-General of the Treasury	France	Developed Countries
<u>Twinning Experts</u>		
Maarten Verwey (Netherlands)		
Dimiter Nenkov (Bulgaria)		
Adam Kirchknopf , Diplomat (First Secretary), Deputy Head of Department, Ministry of Foreign Affairs, Hungary		
Commission		
Richard Weber , European Commission Advisor Hors Classe in DG CLIMA in charge of following the negotiations of the Transitional Committee for the design of the Green Climate Fund		
Ms. Carol Mwape Zulu , Environment Management Officer, Environment and Natural Resources Management Department, Ministry of Tourism, Environment and Natural Resources	Zambia	Least Developed Countries
Mr. Aparup Chowdhury , Joint Secretary (Environment), Ministry of Environment and Forests, Govt. of the People's Republic of Bangladesh	Bangladesh	Least Developed Countries
Mr. Ali'ioaigi Feturi Elisaia , Ambassador Extraordinary and Plenipotentiary, Permanent Representative, Permanent Mission of Samoa to the United Nations	Samoa	Small Island Developing States
Mr. Derek Gibbs , Chief Economist, Research and Planning Unit, Ministry of Finance and Economic Affairs (Economic Affairs Division)	Barbados	Small Island Developing States