

GREEN CLIMATE FUND AND TRANSITIONAL COMMITTEE UPDATES AND BACKGROUND NOTES

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*Forest Peoples' Programme
and
Indigenous Peoples' Network of Malaysia (JOAS)*

This background note updates and expands a previous memorandum prepared in April 2011 by Francesco Martone and Jennifer Rubis for the first meeting of the Transitional Committee and is meant to provide a summary of key issues related to the Green Climate Fund and the discussions held at the Transitional Committee in recent months. It is divided into two parts. Part I compiles IIPFCC positions on finance and Part II provides an overview of the Green Climate Fund, with detailed analysis of the discussions in the 4 meetings of the Transitional Committee. An appendix contains an overview of positions and proposals on different issues from other parts of civil society as well as a list of selected readings and further background documents.

SUMMARY

The Transitional Committee of the Green Climate Fund has prepared a report of its activities and proposals for the establishment of the Green Climate Fund that has been sent to the COP for its consideration in Durban. The report was opposed by the US and Saudi Arabia, and hence it is not a consensus document and might be re-opened for negotiations in Durban. Given the deep divisions among country groupings, negotiations might be very difficult and ensure only a low level outcome.

Key features of the report to the COP:

- a. the Board of the GCF would be tasked with the role of developing social and environmental safeguards based on best practices, as well as guidelines for stakeholder engagement
- b. 2 civil society observers with non-voting status would be allowed to participate to the Board meeting
- c. relevant stakeholders such as indigenous peoples can participate in the design, planning and implementation of the projects under the GCF
- d. no specific language on direct access to funding by Indigenous Peoples, rather funds would be made accessible through national governments
- e. establishment of a Private Sector window, and of Adaptation and Mitigation windows, while decision to establish a REDD+ window is still controversial
- f. a system similar to that of the FCPF, with Readiness plans and delivery agencies is proposed
- g. a recourse mechanisms for affected stakeholders will be set up
- h. no clarity on legal status, relationship with the Conference of the Parties, funding procedures, whether voluntary or mandatory

PART I. SUMMARY OF INTERNATIONAL INDIGENOUS PEOPLES FORUM ON CLIMATE CHANGE (IIPFCC) STATEMENTS ON CLIMATE FINANCE ISSUES

A. The three overarching principles of IIPFCCC:

1. Respect of the rights of Indigenous Peoples in accordance with internationally recognized obligations and instruments including the United Nations Declaration of Rights of Indigenous Peoples
2. Full and effective participation of Indigenous Peoples at all decision-making levels, subject to our Free, Prior and Informed Consent
3. Recognition and protection of Indigenous Peoples' traditional knowledge and its contribution to adaptation and mitigation strategies

B. The Oaxaca Plan of Action (2011) ¹

Indigenous peoples from all over the world met with a group Parties to the UNFCCC in Oaxaca in October 2011. Hosted by the COP Presidency, the Mexican Government, the meeting was held to discuss a plan of action on climate issues, to analyze the state of the UNFCCC negotiations and to discuss possible commitments by Parties in support of indigenous peoples' demands and proposals. The outcome document of this meeting contains elements that are relevant to the Green Climate Fund. Among these are:

Commitments by Some States participating in this Technical Workshop:

11. To submit text proposals for a Durban outcome to include the following:

c) Establishment of a separate REDD+ window under the Green Climate Fund, recognizing that REDD+ addresses both mitigation and adaptation, and that access to this fund by Indigenous Peoples should be ensured.

(...)

e) Proposals for a more balanced approach and access to funds for adaptation and mitigation. Adaptation is a bigger concern for Indigenous Peoples who are living in the most vulnerable ecosystems and suffer the most adverse impacts of climate change. Therefore, direct financing and technological assistance for Indigenous Peoples to adapt should be ensured. Traditional knowledge systems and technologies of Indigenous Peoples for adaptation should be supported.

f) In the area of capacity- building, Indigenous Peoples' capacities for mitigation and adaptation should be supported through policy reforms and finance and technology transfer.

II. Concerns and Challenges for Durban (COP 17) and Beyond

6. Lack of commitment by some developed countries to commit significant long-term public funding to the Green Climate Fund;

¹ http://ccmin.aippnet.org/index.php?option=com_content&view=article&id=734:the-oaxaca-action-plan-of-indigenous-peoples-from-cancun-to-durban-and-beyond&catid=1:news

INDIGENOUS PEOPLES' RECOMMENDATIONS TO STATES

7. To ensure the application of safeguards in the Green Climate Fund; to make the Fund transparent and accountable with an independent governing body which includes the participation of Indigenous Peoples;

8. To call upon the developed countries to commit adequate and long-term funding for the Green Climate Fund, including measures to avoid any funding gaps, and to earmark funds for Indigenous Peoples' projects;

STRATEGIES FOR DURBAN AND BEYOND

e. Developing proposals in conjunction with States to establish mechanisms for Indigenous Peoples to directly access funds from the Green Climate Fund to implement their own climate change mitigation, adaptation, appropriate technologies and capacity building program

C. IIPFCCC POSITION ON CLIMATE FINANCE (2010)

- **Ensure direct and immediate access of indigenous peoples to finance through the establishment of a fund dedicated to address the priority needs of indigenous peoples.**
- **Fund governance mechanisms must be directly under the guidance of the COP with transparency and accountability.**
- **Finance shall be based on public funds with new resources and be additional to development cooperation aid.**
- **Finance management shall ensure the implementation of cultural, social and environmental safeguards.**
- **Finance shall reach indigenous peoples, local communities and other vulnerable groups**

Finance

The governance of any established climate fund and related financing mechanisms must include equitable representation of indigenous peoples and local communities by representatives of their own choosing. The governance structure of any such mechanism should be under the UNFCCC and fully accountable to the COP. Participatory mechanisms should be established to ensure transparency and accountability of all financing procedures and operations.

Financial resources for climate-related activities should come primarily from public sources and be additional to development aid funds, and not used to leverage private funds. Funds generated with carbon trading should not be used as source for climate aid, since their unpredictability cannot ensure financial sustainability of funding commitments.

Adequate funding should be made directly available to strengthen the capacity of indigenous peoples in all phases of all climate related processes. A dedicated fund should be established to allow indigenous peoples and local communities to develop their own activities and contributions to climate change remedial actions.

Safeguards should be established and implemented to prevent harm to indigenous peoples and the environment, and tools developed to enhance and facilitate the full enjoyment and the exercise of the rights of indigenous peoples in accordance with international standards on human rights, the environment and sustainable development. (IIPFCCC, position paper on Climate Finance, 2010)

PART II. BACKGROUND ON GREEN CLIMATE FUND

A. WHAT IS THE GREEN CLIMATE FUND?

The **Green Climate Fund** is the body (*operating entity*) that will operate the financial mechanism of the Climate Change Convention. The Green Climate Fund was launched at the UNFCCC Conference of the Parties in Cancun, 2010².

What is the financial mechanism? The financial mechanism provides money via grants or otherwise. Article 11, UNFCCC calls the financial mechanism, the “*mechanism for the provision of financial resources on a grant or concessional basis, including for the transfer of technology*”. The financial mechanism will function under the guidance of the UNFCCC COP³

Governance

The Fund will be governed by a Board of 24 members, with a balanced representation of developing and developed countries and a Trustee to manage the financial assets of the Green Climate Fund and also that the Trustee “*shall administer the assets of the Green Climate Fund only for the purpose of and in accordance with the relevant decisions of the Green Climate Fund Board*” (art 105). The Trustee shall be accountable to the Green Climate Fund Board.

²Parties decided to “*establish a Green Climate Fund to be designated as an operating agency 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*” (para 102, Cancun Agreements)

³UNFCCC, Article 11: “*under the guidance of and be accountable to the Conference of the Parties, which shall decide on its policies, programme priorities and eligibility criteria related to this Convention. Furthermore.*”*The financial mechanism shall have an equitable and balanced representation of all Parties within a transparent system of governance.*” Paragraph 3 of Article 11 states that the Conference of the Parties and entity or entities entrusted with the operation of the financial mechanism (the Green Climate Fund) will have to agree on :

“*a) Modalities to ensure that the funded projects to address climate change are in conformity with the policies, programme priorities and eligibility criteria established by the Conference of the Parties;*
(b) Modalities by which a particular funding decision may be reconsidered in light of these policies, programme priorities and eligibility criteria;
(c) Provision by the entity or entities of regular reports to the Conference of the Parties on its funding operations, which is consistent with the requirement for accountability set out in paragraph 1 above; and
(d) Determination in a predictable and identifiable manner of the amount of funding necessary and available for the implementation of this Convention and the conditions under which that amount shall be periodically reviewed.”

The World Bank was invited to serve as the interim trustee for the Green Climate Fund subject to a review three years after operationalization of the Fund. This decision has generated a lot of concern from Developing Country Parties as well as social movements and non-governmental organizations. An independent secretariat will support the operation of the Fund. There will also be a Standing Committee with the purpose - among others - of ensuring coherence and coordination of financial activities related to climate change.⁴

B. HOW MUCH MONEY?

100 billion per year by 2020⁵ (UNFCCC, 2010. [Outcome of the work of the Ad Hoc Working Group on long-term Cooperative Action under the Convention](#). Para 98)

The Transitional Committee is not tasked with the definition of the amount of overall funding nor with the definition of the sources of financing, whether they would be public, private or a combination of the two. The language adopted in Cancun simply refers to the outcome of the activities of the UN High-Level Advisory Group on Climate Change Finance that produced a [report](#) in November 2010. (<http://www.un.org/wcm/content/site/climatechange/pages/financeadvisorygroup/pid/13300>)

In the last pre-COP meeting in Panama (October 2011) no agreement has been reached yet on long term financial commitments, while some progress was registered on the so-called fast track financing. Nevertheless, of the 30 billion USD a year promised in Copenhagen, only a slight 8% has been disbursed, in many cases drawing from already scarce development aid funds.

C. WHAT IS THE TRANSITIONAL COMMITTEE?

A **Transitional Committee** was also established in Cancun. It has 40 members. Observers will be allowed to the meetings and staff of UN Agencies, International financial institutions, multilateral development banks will be seconded to support the work of the Transitional Committee. Its goal is that of developing operational documents on the way the Green Climate Fund will work, the functions and activities of the Board, and other matters (see below “Terms of Reference of the Transitional Committee”) and recommend these to the Conference of the Parties for approval at the COP17 in Durban.

Among the various possibilities to enhance the role and contribution of observers to the activities of the Transitional Committee one builds up on the precedent of the Transitional Working Group of the Global Fund against HIV/AIDS, TBC and Malaria as well as on the principles of the Climate Investment Funds (CIF), to propose that a number of “active observers” be selected by the various constituencies. Active

⁴ Additionally, a **Standing Committee** under the Conference of the Parties will be established with the task of ensuring coherence and coordination in the provision of financing for climate change activities, “*rationalization of the financial mechanism, mobilization of financial resources and measurement, reporting and verification of support provided by developing country Parties*”. (art 112 Cancun Agreements). The role and functions of the Standing Committee will have to be defined by the Parties.

⁵ 98. Recognizes that developed country Parties commit, in the context of meaningful mitigation actions and transparency on implementation, to a goal of mobilizing jointly USD 100 billion per year by 2020 to address the needs of developing countries;

observers would take the floor in meetings , enjoy the right to participate freely in all discussions and propose agenda items.

D. WHAT WAS THE TRANSITIONAL COMMITTEE SUPPOSED TO DO? (TERMS OF REFERENCE)

The 16th Conference of the Parties (Cancun, 2010) defined the terms of reference for activities of the Transitional Committee (for the full terms of reference, see Appendix I). The Transitional Committee is mandated to develop operational documents on:

- a) legal and institutional arrangements for the Green Climate Fund
- b) rules of procedures and other governance issues
- c) methods to manage the money, which may come from multiple sources. There can be more than one way to manage the money including using different financial instruments, funding windows & access modalities, which can include direct access
- d) financial instruments that the Fund can use
- e) ways to ensure complementarity between Fund's activities
- f) role of the secretariat of the Fund
- g) evaluation of the Fund
- h) application of environmental and social safeguards
- i) how expert and technical advice can be provided
- l) how to ensure stakeholder input and participation

NOTE: all documents of the Transitional Committee meetings and workshops, reports and can be found at:

http://unfccc.int/cancun_agreements/green_climate_fund/items/6038.php

While submissions by Parties, intergovernmental organizations and non-governmental organizations can be found at

http://unfccc.int/cancun_agreements/green_climate_fund/items/5868.php

E. REPORT OF FIRST MEETING OF THE TRANSITIONAL COMMITTEE, MEXICO CITY , 28-29 April, 2011

The initial meeting of the Transitional Committee took place in Mexico City, from April 28 to April 29, 2011.⁶ On 27 April a meeting with Civil Society Organizations was held, organized by the Mexican Ministry of Foreign Relations.

This meeting was postponed due to delays in the deciding who would be the regional representatives. Critical positions were expressed by the Asian Group (and its chair Saudi Arabia), BASIC group (Brazil, South Africa, India, China) and the Group of Latin American Countries (GRULAC) that called for more time to designate their representatives before convening the first meeting.

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⁶ Schalatek, L. "Designing the New Green Climate Fund: A tentative start for the Transitional Committee – of troikas, tensions, test balloons, work themes and transparency issues", May 2011, Heinrich Boell Foundation

Harmeling, Sven "Successful start for the design of the Green Climate Fund" GermanWatch, May 2011

The meeting focused on the election of officers that took place in some closed-doors sessions where observers were not allowed. This raised strong concerns over the transparency of the process. Different views emerged among Parties on the role and sources of funding with many industrialized countries supporting a role for the Fund to leverage private sector financing while the G77 focused on public financing and innovative sources. Much discussion developed on the role, principles and purpose of the Green Climate Fund with the US and others stressing that this was unnecessary given that these are already clarified in the Cancun Agreement. China and the G77 stressed that the Green Climate Fund needs to be considered as the operating entity of the financial mechanism of the Convention and governed by the principles contained in the UNFCCC, including the Bali Action Plan and the Cancun Agreements. Developed countries did not address the issue of financial obligations, focusing rather on the functioning principles of the GCF, notably efficiency, effectiveness, and results-orientation. There was indication that the Green Climate Fund would follow the COP guidance but would not be under its authority. Some Parties raised concerns over the composition of the Technical Support Unit, with too many representatives of the various Multilateral Development Banks, mostly the World Bank. This, in their view raised also serious concerns over a possible conflict of interest.

A decision was taken to organize the work of the Transitional Committee in four “workstreams”:

Workstream I on scope, guiding principles and cross-cutting issues, complementarity and value added of existing funds

Workstream II on governance and institutional arrangements such as the composition and functions of the Board, a secretariat, trustee arrangements, relationship with Conventions Bodies such as the Standing Committee

Workstream III on operational modalities, fund managements, leveraging of private sector funds, distribution of funds between mitigation and adaptation

Workstream IV on modalities to ensure expert and technical advice, independent evaluation of GCF performance and development of social and environmental safeguards

F. REPORT OF FIRST SECOND MEETING OF THE TRANSITIONAL COMMITTEE (Tokyo, 13-14 July 2011)

The second meeting of the Transitional Committee was held in Tokyo from 13 to 14 July 2011⁸ It was preceded by a workshop on experiences with other Funds such as the Montreal Protocol, the Climate Investment Funds, the Global Environmental Facility, (GEF) the Adaptation Fund. Diverging views were registered among Parties on the objectives, purposes, governance and accountability structures as well as the funding instruments of the GCF. Some parties again raised the

⁷ Third World Network, “Unease over UNFCCC post-Cancun process” Published in SUNS #7101, 4 March 2011.

⁸ Schalatek, L. “From Scoping Options to Decision Making – the work of the Transitional Committee going forward – A summary report of Member Countries’ positions and demands post-Tokyo”, July 2011, Heinrich Boell Foundation
Harmeling, S. “Countdown to Cape Town”, Report of the Second meeting of the Transitional Committee to design the Green Climate Fund, GermanWatch, July 2011

issue of conflict of interest due to the strong presence of Multilateral Development Banks in the Technical Support Unit, in particular of the World Bank given its temporary role as Trustee of the Fund.⁹

Parties were also disagreeing on the mission of the Fund, whether it should contribute to the stabilization of global temperature to 2 degrees C, or support the implementation of the UNFCCC. The US did not want to discuss the scope of the GCF, while some G77 supported the role of GCF as implementing fund for the UNFCCC. Japan and Germany supported reference to the implementation of low-carbon climate resilient development under a 2 degree C scenario

Other issues that were discussed were:

- a. **Guiding principles:** Parties were split on this topic, with developing countries supporting the principles of the UNFCCC and most developed countries arguing that these principles should be cost-effectiveness, efficiency, transparency, accountability
- b. **Fund windows :** no consensus emerged on the number and focus of funding windows for the Fund. There was agreement to start with a few, starting with Adaptation and Mitigation, and leave it to the Board to decide on new windows. Germany and Democratic Republic of Congo (DRC) supported the establishment of a REDD+ window and others the setting up of windows for technology transfer and capacity building. The United Kingdom, Switzerland and Germany also supported a private sector window. There was no agreement on who should allocate the funds across the windows, whether it should be up to the Board or to the Donors.
- c. **Direct access** much of the discussion was on inclusivity and universality of access for all developing countries, but no Party mentioned that civil society organizations might also be among possible implementers and hence be given the possibility of accessing funds directly
- d. **Country-led strategies** discussion developed on the issues of country ownership and the need to focus on the recipient country's own priorities, but no reference was made to participation of stakeholders at the national level, nor of the need to take into account the interests and needs of local communities and indigenous peoples
- e. **Financing instruments** Parties discussed on the possibility of giving grants to most vulnerable countries with Brazil and Japan supporting a grant-only structure while other developed countries proposed a mix of grants, loans and risk guarantees. Apparently consensus was reached on the possibility for the Adaptation window to provide grants
- f. **Sourcing of the GCF** Parties concluded that no source should be excluded but there were some differences among developed and developing countries on the specific contributions of the different sources. Additionality to development aid, (ODA) and innovative sources of financing were also discussed.
- g. **Role of the private sector and carbon markets** – the possibility of supporting among other small- and medium - size enterprises also by means of investment and risk guarantees was mentioned, as well as the possible role of public funds in leveraging private sector money. Some referred to the possible link between the Green Climate Fund and International carbon markets but no substantial discussion ensued.

⁹ A detailed account of the discussion on conflict of interests can be found at TWN InfoService "Disagreements in Green Fund Design committee over conflict of interest issues", Third World Network, 14 July 2011

- h. **Governance:** The role of the Trustee was discussed together with the functions of the GCF secretariat and the relationship between the GCF and the Standing Committee without any further detail.
- i. **Legal Personality** – no clarity emerged on the kind of legal personality for the Fund
- j. **Monitoring and Evaluation** – some parties pointed to the need to monitor the Fund and others on monitoring and evaluating the Fund's activities, Some argued for an independent evaluation outside of the institutions, the US expressed its opposition to the COP evaluating the GCF and proposed that the Board be tasked with the evaluation. Others objected.
- k. **Results-based framework** . a discussion was held on performance indicators, with some countries asking for inclusion of development and poverty reduction impacts
- l. **Stakeholder participation** – Brazil proposed a consultation mechanism, and DRC proposed inclusion of stakeholders as non-voting members of the Board and a partnership body including civil society and private sector. Generally speaking Parties did not express substantial interest in the matter.
- m. **Safeguards** – A very brief discussion was held with Sweden that proposed that safeguards be aligned to international conventions and practices. Sweden proposed that contributions from Parties and Observers be invited (giving only a couple of weeks deadline for inputs) . The US and Germany said safeguards would be critical to ensure access to funding from donors.

G. REPORT OF THIRD MEETING OF THE TRANSITIONAL COMMITTEE – GENEVA, 11-13 September 2011¹⁰

The Third meeting produced a “draft reflections on design issues ” document and a draft report to COP 17 with bulletpoint topics to be put on the table for the Fourth meeting of the Committee that in turn was expected to produce a final report to the COP17. Discussions showed that still no agreement was reached among parties on key issues, such as the legal status, and the Fund's relationship with the COP, the role of the private sector , objectives and principles of the Fund, the number of dedicated windows, and financing instruments.

As regards the setting up of the independent secretariat, it was not clear whether this should be meant to be independent from existing institutions of from the Board or the COP and there was disagreement on who should select the head of the secretariat.

Brazil strongly opposed social and environmental safeguards as key principles of the Fund, and other G77 countries also voiced resistance to what they consider as a conditionality. A possible compromise was discussed according to which safeguards would have to be implemented by national implementing agencies of the GCF, and the GCF provide technical and financial support . Nevertheless, this does not

¹⁰ Schalatek, L. “The Design Process for the Green Climate Fund – lots of disagreements, little time” , Heinrich Boell Foundation, October 3, 2011

TWN Info Service “Green Climate Fund design committee to focus on key issues” Third World Network, September 12, 2011

Harmeling, S. “The Green Climate Fund: a steep road towards agreement in Cape Town and Durban” – Report of the Third Meeting of the Transitional Committee, GermanWatch, September 2011

fulfil the mandate given by the COP for the Transitional Committee to “*elaborate a mechanism to ensure the application of environmental and social safeguards.*”

As regards stakeholder engagement no agreement was met on non-voting member status in the board. US and Germany proposed 2 seats for Private Sector and 2 for civil society, but the draft outcome document prepared for the last TC meeting refers only to a seat for the Private Sector. The US and the UK underlined their willingness to discuss both safeguard and stakeholder engagement criteria, but in the end it was decided to leave these matters up to the Board of the GCF (whenever it will be set up), including possible steps to develop related instruments and criteria.

As regards funding windows, more countries came in support of a REDD+ window (Spain, Germany, UK, US, Peru), while Brazil and Saudi Arabia strongly opposed, and others proposed windows for Less Developed Countries and Small Insular Developing States, others proposed to integrate capacity-building and technology transfer as cross-sectoral areas of support.

The discussion on private sector engagement dominated both the meeting and the preceding workshop that was attended by private sector representatives and civil society organizations. The establishment of a private sector window was discussed, as well as the possibility of having private sector observers in the GCF Board. Civil Society organizations objected to a separate Private Sector window arguing that private sector engagement has to be within the national development plans for the recipient country. Others called for a “financing facility” or a “Private Sector Partnership facility” with modalities of work similar to those of the Forest Carbon Partnership Facility. (FCPF).

H. REPORT OF FOURTH MEETING OF THE TRANSITIONAL COMMITTEE – CAPE TOWN 16-18 October 2011¹¹

The fourth and last meeting of the Transitional Committee took place in CapeTown from 16 to 18 October 2011. It failed to deliver a consensus report to the COP17 due to the opposition of Saudi Arabia and the United States. Confronted with a lack of consensus among Parties on various key topics such as objectives, principles, and mission of the Fund, relationship between the GCF and the COP, the GCF legal personality and the role of private sector, the two Co-Chairs decided to table a text in the last day on a “take it or leave it” basis. The text was adopted but being a no-consensus document it might be possible for the COP to re-open the negotiation.

The report sent to the COP17 :

- a. defines that the Fund will have its legal personality and an independent secretariat but no consensus was reached on the voting system for the Board and no deadlines or methods are proposed for the definition of the legal status
- b. gives limited authority to the COP and much authority to the Board – contains no reference to possible COP role in endorsing Board members, selected Executive director and the head of the independent evaluation unit
- c. suggests the establishment of a Private Sector Finance Facility with details and access modalities to be defined by the Board. The Board would also define mechanisms to leverage private funds
- d. suggests the establishment of adaptation and mitigation windows while the Board would decide for additional windows such as a REDD+ window

¹¹ TWN InfoService “Setback in designing Green Climate Fund” by Martin Khor (Executive Director, South Centre) Third World Network, 25 October 2011

- e. states that the objective of the GCF is to support a
“paradigm shift towards low-emission and climate-resilient development pathways, by providing support to developing countries to halt or reverse their greenhouse gases emissions and to adapt to the impacts of climate change”; and “promote environmental, social, economic and development co-benefits”
- f. does not mention any obligation for donors to contribute with replenishments hinting to the possibility that contribution be only on a **voluntary basis**
- g. proposes the inclusion of **2 non-voting members** in representation of civil society in the Board
- h. recognizes the valuable input that **stakeholders, including indigenous peoples** can provide and supports the promotion of their participation in design, development and implementation of projects funded by the GCF and encourages *“participatory monitoring by stakeholders”*
- i. **weakens language on safeguards, referring to “best practices” to be applied and omitting reference to international obligations** – : “

“The Board will agree on and adopt best practice environmental and social safeguards that shall be applied to all programmes and projects financed using the resources of the Fund.

66. The Fund will support the strengthening of capacities in recipient countries, where needed, to enable them to meet the Fund’s environmental and social safeguards, based on modalities that shall be developed by the Board”.

- j. suggests the adoption of an information policy and of independent redress mechanism, but does not specify whether the info policy will have to be based on international standards. It specifies that

69. The Board will establish an independent redress mechanism that will report to the Board. The mechanism will receive complaints related to the operation of the Fund and will evaluate and make recommendations.

Annex I: A Summary of Key Concerns and Demands from Civil Society

Some NGOs and social organizations as well as research institutes have produced analyses and position papers identifying some key areas of concern and challenges that the Transitional Committee will have to address. This is a list of key issues that can also be relevant for indigenous peoples.

<p>Civil Society Participation in the Transitional Committee</p>	<ul style="list-style-type: none"> ● Meetings to be opened to all observers ● Self-selection process by focal points of members (active observers) that can have an active role , can take the floor in meetings, suggest agenda items, be active participants in subcommittees, rafting groups, workshops etc. ● Translation of documents in official UN languages <i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i> ● Look at the way the Adaptation Fund works – its website contains information and documents that is helpful to keep updated in time on discussions and developments at the Fund <i>(Heinrich Boell Stiftung North America, Climate Finance Policy Brief n. 4 – Design Challenges for the Green Climate Fund, Neil Bird, Jessica Brown, Liane Schalatek, January 2011)</i> ● Transitional Committee should formalize contributions from civil society – civil society could be asked to submit inputs in writing and then meetings would be organized. <i>(Oxford Energy and Environment Brief, The Green Climate Fund – What needs to be done for Durban (COP17) by Farrukh Iqbal Khan, February 2011)</i>
<p>Participation of experts in the Transitional Committee</p>	<ul style="list-style-type: none"> ● Propose to include experts from various experience ● Balanced composition of experts from multilateral development banks, and from UN and other agencies ● World Bank should not be given the role of facilitating or leading the technical secretariat <i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i>
<p>Composition of the Board and decision making</p>	<ul style="list-style-type: none"> ● Recommendation to include at least 2 civil society representatives from developed countries and 2 from developing countries in the Board and at least one representative from a climate-affected community in a developing country (preferably from a women's or indigenous group) as full voting members ● Refer to the functioning of the Board of the Global Fund to Fight AIDS, Tuberculosis, Malaria whose board includes a representative of an NGO from developed country and one from developing country.

	<ul style="list-style-type: none"> • Full independence of the Board of the Green Climate Fund and full accountability to the UN Framework Convention on Climate Change Conference (see above article 11) <p><i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i></p>
<p>Balance between funding for adaptation and mitigation</p>	<ul style="list-style-type: none"> • Thematic windows on adaptation, mitigation and forests to be established with separate boards, criteria and technical bodies composed of experts • Reprioritize funding for adaptation in the form of grants to prevent increase in foreign debt of poorer countries <p><i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i></p> <ul style="list-style-type: none"> • Define what is a balance between funding for mitigation and adaptation • Expectation that GCF prioritizes funding for adaptation <p><i>(Heinrich Boell Stiftung North America, Climate Finance Policy Brief n. 4 – Design Challenges for the Green Climate Fund, Neil Bird, Jessica Brown, Liane Schalatek, January 2011)</i></p> <ul style="list-style-type: none"> • How much of the announced USD 100billion finance would be channeled through the Green Climate Fund and how to ensure that a significant amount of this money would go for adaptation <p><i>(Oxford Energy and Environment Brief, The Green Climate Fund – What needs to be done for Durban (COP17) by Farrukh Iqbal Khan, February 2011)</i></p>
<p>Social and environmental safeguards</p>	<ul style="list-style-type: none"> • Safeguards to be consistent with existing international obligations • Clear policies and procedures to prevent social and environmental harm and protect rights • Proposed safeguards: <ol style="list-style-type: none"> a. environmental and social impact assessments b. respect the rights of Indigenous Peoples, women and local communities and involve them in decision-making. Ensure consistency with the UNDRIP including requirements on Free Prior Informed Consent (FPIC) c. do not fund activities that cause involuntary displacement from lands territories and resources and impacts on traditional livelihoods d. ensure access to independent complaint/recourse mechanisms at National and International levels e. avoid destruction of cultures, species or ecosystems including areas (...) recognized as protected by customary practices or indigenous or local communities f. comply with and support existing International obligations on human rights, gender, environment, labor standards g. include rules on access to information h. develop regular reporting mechanisms (including participatory monitoring) on how the safeguards are addressed and respected

	<p>throughout the design and implementation of activities <i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i></p>
<p>Financing modalities</p>	<ul style="list-style-type: none"> ● Direct access: country entities and also representatives or civil society bodies that meet agreed fiduciary and social and environmental safeguards can apply for and receive funding directly from the Green Climate Fund ● Transitional Committee should develop direct access modalities that ensure active participation of affected communities and civil society in program prioritization, preparation and oversight <i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i> ● Funding for, climate-related activities on indigenous lands, like forest protection and restoration, should go directly to those representative indigenous organizations to strengthen their sustainable territorial management programs. <i>(Towards a New Global Climate Fund, Discussion Paper by Jubilee South, CRBM, IPS, ActionAid, Gaia, February 2010)</i>
<p>Standing committee</p>	<ul style="list-style-type: none"> ● One of the issues that will have to be resolved is how the new Green Climate Fund will relate to other funds, such as the Adaptation Fund and the Climate Investment Funds of the World Bank ● Green Climate Fund to be a supervisor to the other Funds or just play an advisory role? <i>(Heinrich Boell Stiftung North America, Climate Finance Policy Brief n. 4 – Design Challenges for the Green Climate Fund, Neil Bird, Jessica Brown, Liane Schalatek, January 2011)</i>
<p>Financial resources</p>	<ul style="list-style-type: none"> ● Define what is climate finance and how to distinguish from Overseas Development Aid ● Transitional Committee to define the amount of funding to be provided by the Green Climate Fund <i>(Oxford Energy and Environment Brief, The Green Climate Fund – What needs to be done for Durban (COP17) by Farrukh Iqbal Khan, February 2011)</i> ● Ensure that the Green Climate Fund received the majority of the climate funds and that the Climate Investment Funds be dissolved when the Green Climate Fund becomes operational <i>(Civil Society Recommendations for the Design of the Green Climate Fund, March 2011, see Annex III)</i> ● Contributions should be mandatory and predictable, rather than voluntary ● Contributions must be of public nature from government contributions and International taxes ● Contributions must not be in the form of loans or other instruments that

	<p>create debt, nor linked to conditionalities. <i>(Towards a New Global Climate Fund, Discussion Paper by Jubilee South, CRBM, IPS, ActionAid, Gaia, February 2010)</i></p>
<p>Role of the World Bank</p>	<ul style="list-style-type: none"> • The design of the Green Climate Fund should not become a process similar to that of other climate funds such as the World Bank’s Climate investment Funds • World Bank’s role has to be limited to the being the interim trustees for the Fund and parties should develop alternative proposals for the new trustee • Clarify that the World Bank has no mandate to lead processes in the design of technical aspects of he Green Climate Fund and should not be allowed to do so • Ensure that the Transitional Committee is supported by a truly independent secretariat • Limit role of the World Bank and other multilateral development banks in the design of the Green Climate Fund • A member of the UNFCCC Secretariat should be the facilitator or coordinator of the support body that might help the Transitional Committee • Civil society representatives should be seconded to the Transitional Committee <p><i>(NGO and CSO joint letter to the Secretary of Foreign Affairs of the Republic of Mexico Patricia Espinosa and the Executive secretary of the UNFCCC, Christiana Figueres, February 2011)</i></p> <ul style="list-style-type: none"> • Concern that the World Bank – with support of some major donors – wants to take over the Secretariat function of the new global climate fund. • A strong team of World Bank experts involved in setting up and managing the Bank’s own Climate Investment Funds involved in Transitional Committee • Industrialized countries had already given more than 6 billion since 2008 to a new set of Climate Investment Funds (CIFs) at the World Bank, but not to existing UNFCCC adaptation funding instruments managed by the Global Environment Facility. <p><i>(Liane Schalatek, Heinrich Boell Foundation, From Anticipation to Confusion and Delay: The First Design Meeting for the Green Climate Fund, 4 March 2011)</i></p> <ul style="list-style-type: none"> • Many countries have expressed support to the World Bank to play a key role in climate finance. As a matter of fact, the adoption of the Framework for Development ad Climate Change (October 2008)by the World Bank is a sign of the interest in becoming the key - if not central - institution for climate finance • The World Bank structure is not democratic, decision-making not transparent and participation levels very low

	<ul style="list-style-type: none">• The World Bank support for fossil fuels has increased in the last years, (by 22% between 2007-2009)• The World Bank lacks a methodology to assess the green house gas emissions from its projects- more than 45% of its investments especially in the Energy sector, do not take climate change into account• The Climate Investment Funds , an interim climate financing mechanism hosted by the World Bank, is considered as a key actor by industrialized countries, and some of them propose to host the Green Climate Fund in the CIF• CIF has some good practices in terms of stakeholder participation (civil society observers are invited to the executive boards). However they suffer a lack of involvement of developing countries and stakeholder engagement in countries has been very limited• Some CIFs have been supporting coal power plants and other projects that contradict the mandate of promoting transformation• CIF money is mostly going to middle-income countries and not to poorer countries• The Global Climate Fund proposed by the G77 should be supported as a long term solution to climate financing <p><i>(Eurodad position paper, “Why the World Bank is ill-fitted for climate finance – Key principles and recommendations for equitable climate finance governance”, April 2011)</i></p>
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Annex II: Terms of Reference of Transitional Committee

“operational documents that address inter alia:

*(a) the **legal and institutional arrangements** for the establishment and operationalization of the Green Climate Fund*

*(b) rules of **procedures of the Green Climate Fund Board** and other governance issues related to the Board*

*(c) Methods to 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 achieving a 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 Fund’s 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, in order to ensure the **application of environmental and social safeguards** as well as internationally accepted fiduciary standards and sound financial management to the Fund’s activities*

*(i) mechanisms to ensure the provision of **appropriate expert and technical advice**, including from relevant thematic bodies established under the Convention*

*(l) mechanisms to ensure **stakeholder input and participation***

Annex III: Useful Documents:

1. Athena Ballestreros Ronquillo. The Road to the Green Climate Fund, February 14, 2011
www.wri.org/stories/2011/02/road-green-climate-fund
2. Ballestreros A. "Cape Town meeting must get details of the Green Climate Fund before Durban", October 14, 2011, World Resources Institute <http://insights.wri.org/news/2011/10/Cape-town-meeting-must-get-details-green-climate-fund-right-durban>
3. *Civil Society Recommendations for the Design of the Green Climate Fund, March 2011*
http://actionaidusa.org/assets/pdfs/climate_change/CSO_Recommendations_to_GCF.pdf
4. Elena Gerebizza - CRBM, "Can financial markets solve the climate crisis?" March 2011
www.crbm.org/modules.php?name=download&f=visit&lid=271
5. Eurodad, "Storm on the horizon" Why World Bank Climate Investment Funds could do more harm than good, Nora Honkaniemi, February 11, 2011
<http://www.eurodad.org/whatsnew/reports.aspx?id=4395>
6. Eurodad, "Why the World Bank is ill-fitted for climate finance – Key principles and recommendations for equitable climate finance governance", position paper, April 2011
www.eurodad.org/.../Eurodad_position_paper_on_WB_and_climate_financeFINAL.pdf
7. Fry, T. "A Faulty Model? What the Green Climate Fund can learn from the Climate Investment Funds", June 2011, Brettonwoodsproject, www.brettonwoodsproject.org/art-568686
GermanWatch. www.germanwatch.org/klima/gcf.htm
8. Harmeling S. "The Green Climate Fund: a steep road towards agreement in Cape Town and Durban". September 2011 www.germanwatch.org/klima/gcf.htm
9. Harmeling, S. "Countdown to Cape Town" July 2011, GermanWatch
www.germanwatch.org/klima/gcf.htm
10. Harmeling, S. "Successful start for the design of the Green Climate Fund"; May 2011
11. Heinrich Boell Stiftung North America, *Climate Finance Policy Brief n. 4 – Design Challenges for the Green Climate Fund*, Neil Bird, Jessica Brown, Liane Schalatek, January 2011
<http://www.boell.org/web/140-710.html>
12. Jubilee South, CRBM, IPS, ActionAid, Gaia. *Towards a New Global Climate Fund, Discussion Paper, February 2010* http://www.globalclimatefund.org/?page_id=31
13. Liane Schalatek, "Designing - and Funding! - the new Green Climate Fund, January 26, 2011
<http://climatequity.org/2011/01/26/designing-and-funding-the-new-green-climate-fund-2/>
14. Liane Schalatek, Heinrich Boell Foundation, *From anticipation to Confusion and Delay: The First Design Meeting for the Green Climate Fund, 4 March 2011* <http://climatequity.org/tag/green-climate-fund/>
15. *NGO and CSO joint letter on the role of the World Bank sent to the Secretary of Foreign Affairs of the Republic of Mexico Patricia Espinosa and the Executive secretary of the UNFCCC, Christiana Figueres, February 2011*
http://www.jubileesouth.org/index.php?option=com_content&task=view&id=326
16. *NGO and CSO letter on the role of civil society observers in the Transitional Committee, sent to the Secretary of Foreign Affairs of the Republic of Mexico Patricia Espinosa and the Executive Secretary of the UNFCCC, Christiana Figueres, www.ifg.org/pdf/CivilSocietyLetter-RoleofObserverontheTC.pdf*
17. Oxford Energy and Environment Brief - February 2011 "The Green Climate Fund - what needs to be done for Durban (COP17)", by Farrukh Iqbal Khan
www.oxfordenergy.org/pdfs/comment_01_03_11.pdf
18. Oxford Energy and Environment Brief January 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” by Sven Harmeling and Benito Müller
www.oxfordenergy.org/pdfs/comment_02_01_11.pdf

19. Schalatek, L. *“Designing the New Green Climate Fund: A tentative start for the Transitional Committee – of troikas, tensions, test balloons, work themes and transparency issues”*, May 2011, Heinrich Boell Foundation www.boell.org.za/web/cop17-704.html
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21. Schalatek, L. *“Suboptimal outcome in the Transitional Committee – No consensus on the design of the Green Climate Fund – A summary report of the 4th and final TC meeting in Cape Town ,24 October, 2011, Heinrich Boell Foundation, www.boell.org.za/web/cop17-802.html*
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www.twinside.org.sg/title2/climate/infoservice/2011/climate20110903.htm
25. TWN InfoService, *“Setback in designing the Green Climate Fund”* by Martin Khor, (Executive director, South Centre), 25 October 2011
www.twinside.org.sg/title2/climate/infoservice/2011/climate20111003.htm