



**Summary of the First Meeting of the Transitional Committee
for the design of the Green Climate Fund**

30 April 2011

In accordance with the Cancun Agreements, representatives of 40 governments convened in Mexico City from 28-29 April 2011 for the first meeting of the Transitional Committee (TC) for the design of the Green Climate Fund (GCF). As decided in the Cancun Agreements, the mandate of the TC is to design the GCF with a view to providing operational documents for adoption to the 17th UNFCCC Conference of the Parties in Durban, South Africa, in December 2011.

The 40-member committee is comprised of 25 developing country and 15 developed country members. Observers from civil society, academia, and intergovernmental organizations are also able to sit in on open meetings of the TC (see Annex 1 for membership list). The selection of the countries to represent the different regional groupings significantly overran the January 31 deadline and often involved difficult regional consultations and compromises between countries. As a result of this delay, only seven months remain for the committee to do its work prior to Durban.

Prior to the formal opening of the meeting, governments held consultations in Mexico City on the nomination of a Chair/Co-Chairs for the TC. These consultations resulted in the election of Mr. Ernesto Cordero (Minister of Finance, Mexico), Mr. Trevor Manuel (Minister in the Presidency, South Africa), and Mr. Kjetil Lund (Vice-minister of Finance, Norway) as co-chairs. This was despite Mr. Manuel not being present at the meeting itself. Mr. Cordero and Mr. Lund alternated in the chairing of sessions at the meeting, in consultation with Mr. Manuel. In addition, at the end of the meeting, developing countries supported the proposal for the addition of a Vice-Chair from the Asia region—a proposal that will be considered at the next meeting.

The Scope of the GCF

At the beginning of the meeting, Samoa, on behalf of the Small Island Developing States (SIDS), tabled a proposal for an initial exchange of members' views on the scope and guiding principles of the GCF (i.e. what should the GCF achieve and how?). Though the scope of the Fund is indicated in general terms in the Cancun Agreements, the question of the Fund's priorities and niche are open for interpretation. Samoa—supported by a number of other members—argued strongly that the importance of these topics

necessitated a discussion during the first session¹. Indeed, without a clear, common understanding what the GCF wants to achieve it is difficult to devise the governance, operational and evaluation components of the Fund and so the workplan for the TC.

The TC therefore engaged in an exchange of views on the scope and guiding principles of the GCF (see Annex 2 for detailed interventions). Key elements of this included:

- Many members referred back to the Cancun Agreements (specifically Chapter IV and Annex 3 on finance) as providing initial guidance;
- Some members indicated that further elaboration is needed, particularly on the transformational and “game changing” nature of the GCF;
- Many members noted that the GCF should not be business-as-usual, and should bring a clear value added to the international climate finance architecture;
- However, very few details were exchanged on precisely *how* this should be achieved in terms of guiding principles and scope of the Fund;

While providing a useful first exchange of views, the discussion remained at a general, non-specific level. Indeed, the exchange of views lasted only 1 ½ hours. It was therefore agreed that the discussion on scope and principles must be kept on the TC’s agenda; in particular, further definition is needed on what is meant by “transformational impact” and how it can be achieved. Overall, however, a traditional interpretation of what the GCF should do dominated: a fund to channel resources for programmes to developing countries.

Workplan for the Design Process in 2011

Based on a number of written interventions (including by the African Group, SIDS representatives, the UK, and Australia) on possible options for a workplan, the co-chairs tabled an initial discussion note, which grouped the relevant elements of the Cancun Agreements (Chapter IV and Annex 3) into four workstreams: 1) scope and guiding principles, 2) governance issues, 3) operational modalities, and 4) monitoring and evaluation. Members considered the draft note, adding and editing sections and language. A revised note was subsequently tabled and discussed (attached). Members requested that this note was further revised to incorporate the diverse and rich discussion on the topic.

Despite the lack of agreement on the content of the workplan, it was agreed to organize the work of the TC along the four workstreams proposed, each led by two facilitators as follows:

1. Scope and guiding principles: Spain and Barbados
2. Governance Issues: D.R of Congo and Switzerland
3. Operational Modalities: Australia and Pakistan
4. Monitoring and Evaluation: Bangladesh and Sweden

¹ The scope and guiding principles of the GCF are the subject of a draft concept paper UNDP prepared in advance of the meeting. This concept paper is attached.

A critical issue that was noted by many TC members was the *sequencing* of work. Denmark, for example, noted the importance of clear guidance from workstream 1 informing workstreams 2-4. Additionally, a number of developing countries noted that if the workstreams proceed in parallel sessions they would struggle to cover all issues. The TC agreed to consider this issue at the beginning of its second meeting.

Despite the lack of clarity, it was agreed that the co-facilitators would launch the workstreams with immediate effect; each will propose (via a new electronic platform) detailed questions for each workstream to consider as well as background studies that should be commissioned (e.g. lessons learned from existing direct access modalities).

In terms of further meetings, Japan offered to host the second meeting of the TC in early July in Tokyo. This will be followed by two further meetings, provisionally scheduled for September, and October. Switzerland, Singapore, and South Africa all expressed offers to host these meetings. In addition, a number of inter-sessional technical workshops will be held to provide detailed inputs to the TC workstreams. There was discussion among members on having a one-day workshop immediately prior to the Japan TC meeting on lessons learned from existing funds and channels. The representative from Pakistan and Sweden agreed to organize this workshop.

In addition, a tentative plan was tabled for a more general workshop before the Japan TC meeting to provide clarity and discussion on co-facilitators' proposals for the content of each workstream. This will be important considering the fairly generic nature of the workplan discussed in the first TC meeting in Mexico City.

Technical Working Arrangements

On working arrangements, the TC considered a draft note prepared by co-chairs covering issues including the role of members' advisers, voting procedures, and technical support. On the first, there was agreement that the advisers of TC members could stand in at their flag if their member is unable to attend a TC meeting.

On voting procedures, there was some divergence between developed and developing countries on the definition of "consensus" adoption, with developing countries strongly arguing for the customary use of the rules of procedure from the UNFCCC COP (i.e. that there must be unanimous support). Interestingly, a number of members noted that the Cancun Agreements themselves were adopted by the COP in the face of opposition from one Party. There was no decision on the issue.

On technical support, the UNFCCC Secretariat outlined plans to convene a technical support unit (TSU). Members exchanged views on the composition of this unit; developing countries expressed much concern about possible conflicts of interest between institutions acting as trustee and being involved in the design of the fund. The UNFCCC Secretariat agreed to revise the appropriate clauses in the MOU that govern the relation between the UNFCCC secretariat and the seconding institutions. Developing countries also demanded that more development expertise be included in the TSU, which was perceived to be heavily biased towards inclusion of secondees from financial institutions. Members agreed that the TSU must

operate under the authority of the TC; however, there was some divergence about whether the TSU could only produce documents mandated by the TC or initiate its own studies and option papers for consideration by the TC.

The first TC meeting indicated that preparation and clear agreement on working arrangements are crucial to the success of the TC's work. The election of co-chairs and then immediate commencement of the meeting gave little time for the co-chairs to prepare and consult, and for the secretariat to put in place the necessary supporting documents for the co-chairs.










Overall Assessment













Most governments agreed before the first TC meeting that they were entering into an unknown, though potentially important, process. Coming out of the meeting, views remained mixed: on one hand, many members indicated that they were encouraged by the discussion on scope and were keen to continue dialogue on substance; however, on the other, disagreements on elements of the workplan and working arrangements left members with some caution about the ability of the TC to move into this technical substance. The preparation of documents for TC meetings that focus on the scope and human development benefits of the GCF, not just operational details, will be critical to tackling this concern.

A key issue to note in this regard is that the TC sits rather awkwardly alongside the main climate negotiations. The mix of finance ministries (traditionally not involved in the climate negotiations) with environment and foreign affairs ministries (typically more intimately involved within the UNFCCC process) caused some varied opinions among members about how work should be conducted—particularly on transparency and expediency. The degree to which the TC operates like a UNFCCC constituted body, or acts independently of the UNFCCC process and simply submits operational documents, will certainly be a theme for the second and subsequent meetings.

The close of the meeting ended with divergence along developed-developing country lines on the workplan. There is a risk that this divergence could spill over into the second TC meeting if sufficient trust is not built, including at the country level. A strong vision for purpose for the fund and its potential transformational impact, especially the human development dividends for developing countries, is essential in this regard. Country offices could be instrumental here.

Annex 1: TC members

Member	Party	Regional Group/Constituency
 Mr. Michaël Adande , (86 kB) President of the Development Bank of Central African States	Gabon	Africa
 Mr. Omar El-Arini , (110 kB) Member of Board of the Egyptian Environmental Affairs Agency	Egypt	Africa
 Mr. Rachid Firadi , (271 kB) Head of Multilateral Cooperation and GEF Unit, Secretariat of State in charge of Water and Environment/Environment Department, Kingdom of Morocco	Morocco	Africa
Mr. Newai Gebre-ab	Ethiopia	Africa
 Mr. Trevor Manuel , (113 kB) Minister in the Presidency of the Government of the Republic of South Africa: Planning	South Africa	Africa
Mr. Tosi Mpanu Mpanu, Director of the Designated National Authority for the CDM and Climate Change Negotiator	Democratic Republic of the Congo	Africa
 Mr. Idrissa Ouedraogo , (256 kB) 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	Africa
 Mr. Ahmed Mohammed Al-Abdulkader , (91 kB) 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 - Kingdom of Saudi Arabia	Saudi Arabia	Asia
 Mr. Burhan Gafoor , (93 kB) 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 , (74 kB) Consultant of the National Climate Change Commission of the Philippines	Philippines	Asia
 Mr. Yaga Venugopal Reddy , (54 kB) Emeritus Professor, University of Hyderabad, former Governor - Reserve Bank of India	India	Asia
Mr. Weifeng Yang	China	Asia
 Mr. Carlos Gerardo Acevedo Flores , (155 kB) President of the Central	El Salvador	Latin America and

Reserve Bank of El Salvador		the Caribbean
 Mr. Ernesto Cordero Arroyo , (60 kB) Minister of Finance and Public Credit of Mexico	Mexico	Latin America and the Caribbean
 Ms. Vanesa Valeria D'Elia , (111 kB) Advisor to the Minister of Economy and Public Finances on Climate Change issues	Argentina	Latin America and the Caribbean
 Mr. Javier Roca Fabián , (82 kB) Ministry of Economy and Finance, Peru	Peru	Latin America and the Caribbean
 Ms. Audrey Joy Grant , (176 kB) Ambassador of Belize to Belgium and the European Community	Belize	Latin America and the Caribbean
 Mr. Paul Oquist Kelley , (201 kB) Minister and Private Secretary for National Policies, Presidency of the Republic of Nicaragua	Nicaragua	Latin America and the Caribbean
 Mr. Sergio Barbosa Serra , (55 kB) Special Ambassador for Climate Change of Brazil	Brazil	Latin America and the Caribbean
 Ms. Naoko Ishii , (179 kB) Deputy Vice Minister of Finance, Ministry of Finance, Japan	Japan	Developed Countries
Mr. Alexander Kvasov, Adviser to the Minister of Finance, Russian Federation	Russian Federation	Developed Countries
 Ms. Marisa Lago , (81 kB) Assistant Treasury Secretary for International Development and Markets, Department of the Treasury, United States of America	United States of America	Developed Countries
 Mr. Kjetil Lund , (53 kB) State Secretary, Ministry of Finance, Norway	Norway	Developed Countries
 Mr. Ewen McDonald , (96 kB) Deputy Director General, Australian Agency for International Development, Australia	Australia	Developed Countries
Mr. Bruno Oberle, Director-General, Swiss Federal Office for the Environment, Switzerland	Switzerland	Developed Countries
 Mr. Rob Stewart , (87 kB) Assistant Deputy Minister, International Trade and Finance Branch, Finance Canada	Canada	Developed Countries
 Mr. Per Callesen , (72 kB) Executive Director, Nordic-Baltic Constituency in the International Monetary Fund, and Governor, Central Bank of Denmark	Denmark	Developed Countries
 Mr. Jan Cedergren (73 kB)	Sweden	Developed Countries
 Mr. Andrzej Ciopinsk , (65 kB) Deputy Director of the International Department of the Ministry of Finance of the Republic of Poland	Poland	Developed Countries

 Mr. Nick Dyer , (84 kB) Director Policy, Department for International Development (DFID), United Kingdom	United Kingdom of Great Britain and Northern Ireland	Developed Countries
 Mr. Manfred Konukiewitz , (14 kB) Deputy Director General, Global and Sectoral Policies Federal Ministry for Economic Cooperation and Development (BMZ)	Germany	Developed Countries
 Ms. Francesca Manno , (69 kB) 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 , (212 kB) Director General of the Spanish Climate Change office	Spain	Developed Countries
 Mr. Remy Rioux , (133 kB) Deputy Assistant Secretary for Multilateral Financial Affairs and Development, Directorate-General of the Treasury, France	France	Developed Countries
<p><u>Twining experts</u> Maarten Verwey (Netherlands) Dimitar Nenkov (Bulgaria)</p> <p> Adam Kirchnopf, (142 kB) Diplomat (First Secretary), Deputy Head of Department, Ministry of Foreign Affairs, Hungary</p> <p>Commission  Richard Weber, (83 kB) 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</p>		
 Ms. Carol Mwape Zulu , (194 kB) Environment Management Officer, Environment and Natural Resources Management Department, Ministry of Tourism, Environment and Natural Resources	Zambia	Least Developed Countries
 Mr. Aparup Chowdhury , (146 kB) 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 , (88 kB) Chief Economist, Research and Planning Unit, Ministry of Finance and Economic Affairs (Economic Affairs Division)	Barbados	Small Island Developing States

* The list contains all nominations received by the secretariat from the Chairs and Coordinators of groups and constituencies as of 29 April 2011.

Annex 2: Interventions on the Scope and Guiding Principles of the GCF

- Brazil:
 - The GCF must be governed by the principles of the Convention, including the primary responsibility of developed countries to provide financial resources
 - There must be a balance between adaptation and mitigation
 - The governance of the Fund must be equitable and give developing countries a clear voice
- Philippines
 - The design of the Fund should not only be based on Cancun; there is also a need for material from the Bali Action Plan, key articles from the Convention, as well as the G77 and China proposal for a new fund in 2008
 - Direct access and accessibility of funds are essential
 - Developing countries must be involved in the identification and formulation of projects
 - The Fund must be flexible and free from conditionality
- Samoa and Barbados
 - The GCF must be different and add value to all the existing funds and channels
 - There must be adequate, predictable, scaled up, and additional finance
 - The Fund must catalyse transformational changes in developing countries, and help developing countries build capacities, and including institutional capacities
 - There must be simplified and rapid disbursement, with minimized transaction costs
 - There may be a need for concessional loan finance, but this must be complemented with other instruments and types of funding
- UK
 - There are three ways we need to look at the GCF: its objective, its effectiveness, and its value added. On the latter of these, there are five things the GCF could add: 1) deal with fragmentation in the multilateral system, 2) increase speed and scale of disbursement, 3) have with thematic and geographical coverage, 4) incentivize and catalyse actions, and 5) leverage the private sector
 - The UK will apply the evaluation criteria from its recent multilateral aid review to the GCF
- USA
 - The Fund must be ambitious and a major, state-of-the-art instrument.
 - It must be catalytic and use a range of financial tools
- Pakistan
 - The GCF must be based on the principles and provisions in the Convention, and transform economies and societies to address climate change
 - National institutions are crucial—both public and private, including national development banks.
 - Leveraging from the Fund must be at the national level, and must promote a new business model for climate finance
 - The GCF must have an international legal personality so that it is capable of entering into direct access agreements
 - Predictability and sufficiency of finance is crucial

- Nicaragua
 - Paragraph 97 of 1/CP.16 provides crucial overarching guidance for the GCF design
 - Direct Access is an essential component, and the Global Fund is a useful model here
 - The GCF should use multiple sources, including alternative sources
 - The GCF Board should continually take guidance from the COP but must be sufficiently empowered to make decisions
- China
 - The GCF must support developing countries only, and be based on the Convention, Bali Action Plan, and Kyoto Protocol
 - Sources must be new and additional public resources from developed countries
 - The carbon market and private sector must play a complementary role
 - Equal access, equity, and effectiveness are all essential. The Fund must not promote conditionality
- Australia
 - The GCF must be efficient and effective, and must be attractive donors and the private sector in order to be capitalized
 - The Fund should use a results-based approach that is complemented by strong country ownership
 - Direct access is the preferred route forward in the long term, although the Fund must include multilateral options for those countries that continue to use these channels
 - The Fund must be innovative and use a range of institutions, all of which must have robust fiduciary standards
- Germany
 - The GCF must assist developing countries in low carbon growth that transforms national economies in all key sectors
 - Results count and the GCF allocation framework should include a strong focus on results
 - The GCF must build on existing experience and merge this into a clear system. Rationalization is needed.
 - The value added of the GCF can be its scalability, integration, and catalytic effect, especially using concessional finance
- Poland
 - The GCF must be results based, but not exclude any country
 - The Fund must be flexible to the different needs of countries
- France
 - The GCF should be the overarching financial mechanism for climate change that provides scaled up finance and supports efforts of existing institutions
 - Coherence and complementarity are essential to widen access to finance
 - The Fund must be innovative and use a wide array of financial instruments—perhaps through a “fund of funds approach”
 - All thematic windows should be included, and there is a special need for dedicated support to Africa
- Japan

- The GCF must be a game changer that promotes transformations in developing countries
- Ownership, complementarity, and results are all essential
- There is a need for a common system for assessing results
- A first step is a stocktaking analysis of why existing channels are not sufficient and so why a new fund is needed
- Saudi Arabia
 - The GCF must follow the principles of the Convention and be comprehensive in sectoral and geographic coverage, including response measures
 - There must be a complementarity of public and private resources, and a balance between adaptation and mitigation
 - Access to finance is key
- Spain
 - The GCF must resolve the weaknesses of the current financial architecture
 - The Fund must promote a new approach to climate finance—one that is country-driven, has wider governance with new actors, uses new sources, and has complementarity with current instruments
 - The relationship between the GCF and the UNFCCC COP is important and requires clear definition
- Denmark
 - Speed of disbursement is important for the GCF and a streamlined governance system must facilitate this
 - A key question is how the GCF can improve the performance of multilateral implementing entities (MIEs). The Fund needs some key principles that will guide the use of the MIEs.
- India
 - Funding within the GCF must be new and additional and free from conditionality
 - The GCF must be a new institutional funding mechanism
- Singapore
 - The GCF must be based on the principles of the Convention and stabilise GHG emissions
 - The Fund must be able to evolve over time and work alongside existing channels and actors
 - Efficiency in administration is essential
- Republic of Korea
 - A thorough stocktaking of the existing climate finance landscape is required to inform the design of the GCF
 - In addition to the points made by other developing countries, it is important that the GCF has clear and defined links with the Technology Mechanism and Adaptation Framework