



# SETTING THE STAGE FOR THE GREEN CLIMATE FUND'S FIRST REPLENISHMENT

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## EXECUTIVE SUMMARY

### Highlights

- There is an urgent need to ensure that the Green Climate Fund (GCF) has both the financial resources and the effective governance to achieve its mandate: to support developing countries in reducing their greenhouse gas (GHG) emissions and adapt to climate change.
- There are currently no criteria on how much the first replenishment of the GCF should aim to raise and how the financial effort among contributors should be shared.
- This working paper argues that a more objective and transparent framework for determining contributions to the GCF is needed to strengthen the predictability of GCF resources, one that uses as a reference point a formula-based *scaled indicative minimum threshold*. This formula could be based, for illustrative purposes, on gross national income (GNI), cumulative GHG emissions, and GHG emissions per capita.
- There is a need to strengthen the board's effectiveness in making decisions, allowing dissenting opinions without holding up critical decisions, and agreeing to a decision-making procedure if efforts to reach consensus have been exhausted. An independent review of the board's performance, as well as a self-assessment by the board, can also help improve its governance.

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- The GCF Board should enhance its representative function for both developing and developed countries' constituencies by ensuring greater transparency in board member selection and promoting effective feedback processes between board members and their constituencies. The GCF Secretariat should have a more active role in supporting selection processes and in facilitating feedback processes between board members and their constituents.

## Background

The Green Climate Fund (GCF)—with a mandate to accelerate climate action in developing countries—has great potential to support transformational investments in developing countries to achieve the goals set out in the Paris Climate Agreement. It is therefore crucial that the GCF succeeds in its mission.

However, the GCF is currently facing a crisis of confidence, illustrated most recently by the unproductive GCF Board meeting in July 2018 and the departure of its Executive Director. The level of trust in the GCF and its board among developed and developing countries, civil society, accredited entities, and the private sector is at an all-time low.

The authors believe that restoring confidence in the GCF demands renewed international commitment to strengthen the GCF and enable it to succeed. We acknowledge that there are many other policy issues that are important, but on the basis of extensive discussions with stakeholders, we came to two sets of issues that are fundamental to restoring confidence in the GCF and should be addressed simultaneously: resources and governance. This paper analyzes these key challenges and suggests several ways forward. We believe that our working paper will contribute to the debate on how to restore confidence in the GCF.

## Context

**Support developing countries to undertake ambitious climate action.** The GCF will soon undergo its first replenishment, and this is a key opportunity to enhance its impact by supporting developing countries to undertake ambitious climate action to implement the Paris Agreement. This working paper focuses on three main issues regarding the functioning of and governance at the GCF: improving the predictability of financial resources, strengthening the effectiveness of the board, and strengthening the board's role as a representative body.

**Increase predictability of financial resources.** The success of the GCF's first replenishment is essential for the financial operationalization of the Paris Agreement by promoting a paradigm shift toward low GHG emissions and climate-resilient development pathways. While allocation of resources by developed countries will depend in part on their own domestic considerations, predictable external funding is key to support developing countries' investment strategies and plans in the short and long term. In addition to developed countries, several developing countries made contributions to the GCF's initial resource mobilization on a voluntary basis. The replenishment also provides an opportunity for emerging economies to enhance their climate action by making voluntary contributions to the GCF.

**Improve board effectiveness.** In multiple instances, the board has failed to make timely decisions on important and time-sensitive issues, most recently during the 20th GCF Board meeting (Songdo July 1–4, 2018). This record indicates that the board needs to find a speedier and more effective decision-making process. Under the GCF's Governing Instrument, the board must develop a mechanism for making decisions in the absence of consensus. This has not yet happened. In its absence, in the event that consensus cannot be reached, as currently applied, the rule of consensus allows any board member to block any decision for any reason, hampering the fund's credibility and effectiveness.

**Strengthen the board's role as a representative body.** The GCF Board has far fewer board seats (24) than there are countries with a stake in the GCF's operations. As a result, most board members represent more than one country; they do so through multi-country constituencies generally organized around geographic regions, as is the

practice in many international bodies. However, constituencies and their respective regional groups currently do not have standardized rules and transparent selection processes for the selection of persons to occupy the GCF Board member and alternate seats, nor formalized reporting and accountability mechanisms to ensure that board members fulfill their representational roles. The fact that several board seats remain unfilled is a big handicap for country representation, one that especially affects developing countries.

**Based on interviews, literature review, and a workshop in Bamako, Mali, it became clear that predictability of funding, the board's effectiveness, and the board's role as a representative body are essential for unlocking the policy-level gridlock and for delegating more authority to the secretariat.** The board's inability to make clear decisions in a timely manner makes it problematic for stakeholders, as well as national designated authorities and accredited entities, to develop their investment plans.

**Certainly, there are other policy issues that are important for improving the effectiveness and efficiency of the GCF.** These include, for example, impact and performance metrics, the accreditation model, and access to GCF funding by national direct access entities. However, predictability of funding as well as the key governance aspects covered in this paper are of a fundamental nature and need to be addressed before other issues can be solved: one comes before the other. Based on research findings, this paper gives recommendations to advance the urgent debate on how to solve the GCF's key funding and governance challenges.

## Recommendations

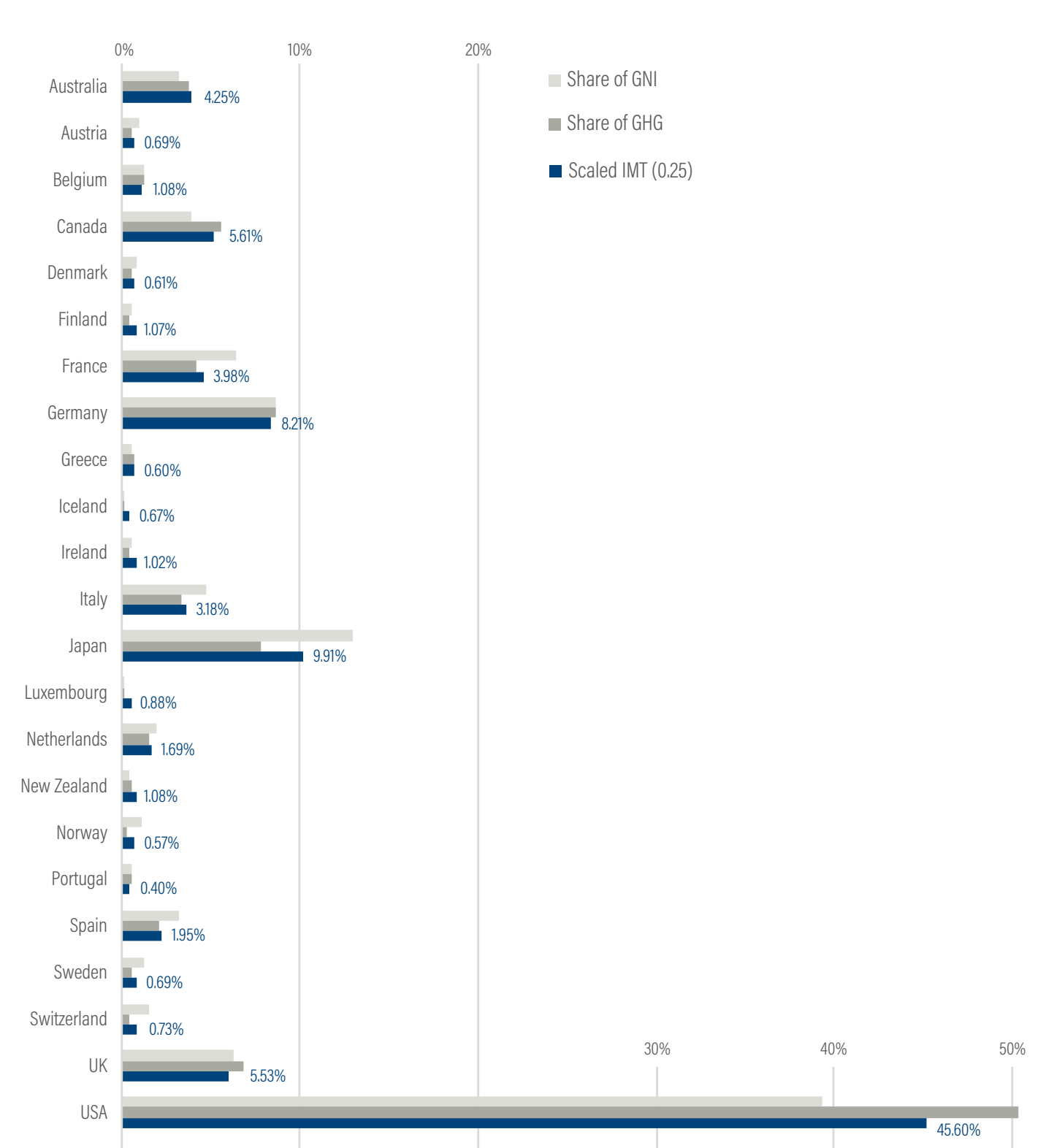
**Consider adopting a more transparent and objective framework for determining contributions to the GCF, thereby strengthening the predictability of GCF resources; the framework should include, for example, the introduction of a contribution formula (scaled indicative minimum threshold).** It is crucial to assure predictability of resources to be contributed to the GCF to tackle the increasingly severe impacts of climate change all over the world and to promote the paradigm shift toward low-carbon emissions pathways. Using a needs assessment as the basis for the replenishment

target would have been preferable; however, given the current absence of an agreed-on methodology, this feature should be reserved for future replenishments. The US\$10.3 billion in pledges brought to the GCF during the initial resource mobilization (IRM) in 2014—of which 98 percent was made by 23 developed countries—should be a floor target for the coming replenishment. The first replenishment should see amounts committed by each contributor that are similar to those pledged during the IRM. To demonstrate ambition, an additional amount could be made available by contributors using a scaled indicative minimum threshold.

**Developed countries should consider using a scaled indicative minimum threshold as a reference when determining the minimum percentage level of their commitment to the first replenishment.** Each contributor is called upon to commit at least the same amount in absolute terms as they did at the IRM, and if this absolute amount is below the scaled indicative minimum threshold, contributors are encouraged to scale up their IRM pledge to arrive at the scaled indicative minimum threshold (scaled IMT).

**Use a formula to calculate the scaled IMT to help achieve a predictable and ambitious funding level.** To gain wide acceptance, the formula should be based on indicators that are as objective, transparent, and consistent with the spirit of the Paris Agreement as possible. This paper recommends a formula we believe meets all of these criteria. Though other ways for making this calculation are possible, we believe this one provides a reasonable starting point for such a formula. The threshold recommended here is based on: share of the gross national income, averaged over the past six years; share of cumulative GHG emissions, based on averaged 1850 and 1990 cumulative data; and a scaling factor of GHG emissions per capita, depending on whether the contributor is above or below the average emissions of the sample group (in this case, the 23 contributing countries). (See Appendix A for details.) Figure ES-1 shows the threshold for the 23 developed countries. To demonstrate how our proposed formula would work under different scenarios, we have launched an interactive tool—the GCF Contributions Calculator—which is available here: [www.wri.org/resources/data-visualizations/green-climate-fund-contributions-calculator](http://www.wri.org/resources/data-visualizations/green-climate-fund-contributions-calculator).

Figure ES-1 | Scaled Indicative Minimum Threshold (IMT) for 23 Developed Countries



Source: Calculated by authors, from data from World Bank 2017, PIK 2017, and GCF 2018d.

**Implement a mechanism for decision-making in the absence of consensus and a self-evaluation process.** While consensus is a central tenet of the GCF Board's governance, the board should consider the approaches to consensus practiced in other organizations that allow board members to express dissenting opinions without blocking decisions. In addition, as provided for in the Governing Instrument, the GCF Board should adopt a mechanism for decision-making in the absence of consensus. We recommend a rule by which decisions can be approved by a two-thirds majority of the members present and voting, representing the majority of members from both developing and developed countries. This mechanism could allow for different majorities based on different kinds of decisions, with the two-thirds threshold required for policy-related decisions but simple majorities for project approvals. At the same time, the Conference of Parties should also commission an independent review of the performance of the board, as stated in the GCF's Governing Instrument, while the board should conduct annual self-evaluations of its performance.

**Enhance board representativeness.** For the board selection process to be more transparent, it is crucial to establish clear criteria, making sure that board members have sufficient relevant experience and that each constituency has a mix of skills and knowledge. Constituencies should also select their board members for a three-year period, avoiding frequent rotations. This will enable the board to retain institutional knowledge and ensure that the board will have at least a minimum number of members with adequate board seniority. In addition, the GCF Secretariat should facilitate regular convenings of developing-country board members with countries they represent to capture opinions and give feedback to the constituents about the board's deliberations. The secretariat should also more actively support constituencies or regional groups within constituencies to ensure that board members are selected in a timely manner, to ensure that board seats remain filled.

## INTRODUCTION

The Green Climate Fund (GCF) is the largest, most visible, and politically most significant of the multilateral climate funds. The GCF started its first commitment period in November 2014 with US\$10.3 billion mobilized during the initial resource mobilization process. To date, the GCF has approved 76 projects, with a total of \$3.7 billion in GCF funding (GCF 2018a). The first replenishment negotiations, which are expected to start once the cumulative funding approvals of the GCF exceed 60 percent of the total contributions received during the initial resource mobilization (IRM) (GCF 2014a, Decision B.08/13, Annex XIX), will be a key opportunity for strengthening the GCF. While there is a large and growing literature on many aspects of the GCF's operations, little has been written about two issues that are crucial to the GCF's future: the predictability of its resources and its governance. "Predictability of resources" is the extent to which the fund's many stakeholders can rely on GCF being resourced at foreseeable levels over a multi-year horizon. This will enable contributing countries, recipient countries, and the fund itself to undertake the strategic planning necessary to keep project and program pipelines flowing with quality proposals. It will also help contributing countries lay the political groundwork to secure the necessary funds for GCF over a multi-year period.

Ultimately, the GCF's ability to attract funding will depend on several factors, especially its capacity to deliver and retain the trust and confidence of all stakeholders. The GCF's reliability in how it efficiently channels its resources can incentivize financial support from key stakeholders. As in any other institution, the quality of decisions is central to performance and institutional trust, and decision-making quality is tied directly to how the governing body works. This is why governance is so key. In this case, we focus on the GCF's supreme governing body, the GCF Board. This paper focuses on two aspects of the board: its effectiveness as a decision-making body, which includes how it makes decisions and its capacity to self-assess, and its role as a representative body that gives voice to the GCF's members. We believe that the replenishment discussions could benefit from the debate of these issues, as the first replenishment will be an opportune moment for reflection on GCF's performance so far, as well as in the future.



The GCF Board's paralysis on several occasions, most recently at the 20th GCF Board meeting (Songdo, July 1–4, 2018), has demonstrated clear shortcomings in GCF governance structures and processes. As a result, the GCF Board has, at key moments, failed to approve funding proposals, accredit implementing entities, and adopt key policy decisions. This gridlock is holding back the GCF's potential and undermining its credibility. An assessment of the board's performance and the GCF's governance is necessary, with a view to promote more effective and efficient decision-making, and to assure a representative function of all countries at the board level. Attention to governance is especially critical as the fund approaches its first replenishment and seeks to gain the trust of stakeholders and partners.

## Methodology

The research behind this paper is based on a review of literature and desk research on international law practices as well as experiences with other multilateral funds and financial institutions. In addition, it draws from extensive stakeholder consultations and interviews conducted in English, Spanish, and French on a confidential basis; the questionnaire is available in Appendix C. The paper benefited from interviews with 86 stakeholders, including: current and former board members; GCF staff; accredited entities (AEs); national designated authorities (NDAs); government officials; a workshop held in Bamako on April 5 and 6, 2018; and informal consultations in Songdo on July 4 and 5, 2018. Best efforts were undertaken to ensure a critical mass of voices from both developed and developing countries. Furthermore, as is standard for any WRI working paper, this publication underwent rigorous external and internal review, relying on the feedback of 5 internal and 12 external reviewers.

## PREDICTABILITY OF GCF RESOURCES

The GCF has a crucial role to play in providing finance to drive a paradigm shift in developing countries toward low emissions and climate-resilient development pathways. It is important to make sure that the GCF has sufficient financial resources available to fulfill its global mandate and use these resources effectively, given the need to tailor its support to country- and project-specific requirements. A number of researchers have developed “fair share” frameworks for international climate finance (see, for example: Oxfam 2014; Pickering et al. 2015; Kemp-Benedict et al. 2017), and the European Commission explored an effort-sharing approach for setting indicative

contributions to climate finance ahead of the Conference of the Parties (COP) 15 in Copenhagen (EC 2009). We have taken these approaches into account when designing a system for the GCF.

The United Nations Framework Convention on Climate Change (UNFCCC) calls for agreements between the COP and the GCF to determine in a predictable and identifiable manner the amount of funding necessary and available for the implementation of the Convention and the conditions under which that amount shall be periodically reviewed (UNFCCC 1992, Article 11, paragraph 3 [d]). A challenge for the fund and its contributors is that there is no agreed-on benchmark for how much GCF replenishment should aim to raise. There is also no agreed-on principle on how contributors should share the financial effort.

## The Need for Predictable Income

While a collective duty for developed nations exists, there is no legal obligation for individual contributing countries on how much they should provide specifically to the GCF (Governing Instrument,<sup>1</sup> paragraph 29). Developed countries agreed to mobilize jointly \$100 billion per year by 2020, resources which can come from “a variety of sources” to address the needs of developing countries. These refer to public and private, bilateral and multilateral, including alternative sources (UNFCCC 2016, Decision 1/CP.16 paragraphs 98, 99). GCF funding from developed countries therefore counts toward the \$100 billion commitment, and this is one reason why contributors may choose to allocate financial resources to support GCF. Furthermore, the COP decided that “a significant share of new multilateral funding for adaptation should flow through the Green Climate Fund” (UNFCCC 2016, Decision 1/CP.16 paragraph 100).

Each contributing country has domestic considerations that will guide how it allocates its international climate funding. There are many potential channels for climate finance flows, including bilateral agencies and funds; multilateral development banks (MDBs); multilateral climate funds; and multilateral agencies such as the UN Specialized Agencies, United Nations Environment Programme (UNEP), and United Nations Development Programme (UNDP). In any case, the \$100 billion target seems, in the eyes of many stakeholders, “too low a target if it is to come from both public and private sources, and too little if it is to be spread between both adaptation and mitigation” (Oxfam 2014). Therefore, more ambitious climate (mitigation and adaptation) targets combined with a country

needs assessment and predictable funding are critical to urgently tackle climate change issues.

Predictability of ambitious funding by the contributors is important to support developing countries' ability to strategize and plan their investments, including the implementation of their nationally determined contributions (NDCs). Moreover, for the private sector to have confidence that the GCF is a significant and reliable partner, the fund needs predictable resources. Funding from international capital markets—for example, through the issue of green bonds—may be a feasible additional source of funding for the GCF in the longer term. However, to be able to access capital on favorable terms, a good credit rating will be important. Among other things, credit rating agencies would assess the GCF's public funding base and the backing of contributing governments when determining the fund's creditworthiness; the latter would be a critical determinant of the rating, especially since the GCF does not enjoy preferred creditor status or sovereign guarantees.

In brief, more predictable funding is an important way to strengthen the fund's standing and improve its effectiveness.

### Initial Resource Mobilization: Important Success

At its eighth meeting, the board agreed on the policies for contributions to the GCF. The board decision was the basis for potential contributors to consider the level—and form—of their pledge to the initial resource base of the fund. Two preparatory meetings were held in Oslo and in Bonn, and in November 2014, the potential contributors met in Berlin for a pledging session. Ahead of the session, developing countries, nongovernmental organizations (NGOs), and the GCF and UNFCCC Secretariats floated a target of \$10–15 billion in contributions (WWF 2014; E&E NEWS 2014). The meeting resulted in pledges of approximately \$10 billion, making it the largest multilateral climate fund.<sup>2</sup> Subsequent pledges brought the total to \$10.3 billion. It should be noted that contributors set their pledge amounts without explicit reference to an effort-sharing framework or to any transparent principle; the pledges were set by each contributing country on the basis of an opaque process that may or may not be repeated in the future.

Some developed countries made contributions to the IRM in the form of concessional loans, amounting to 5 percent

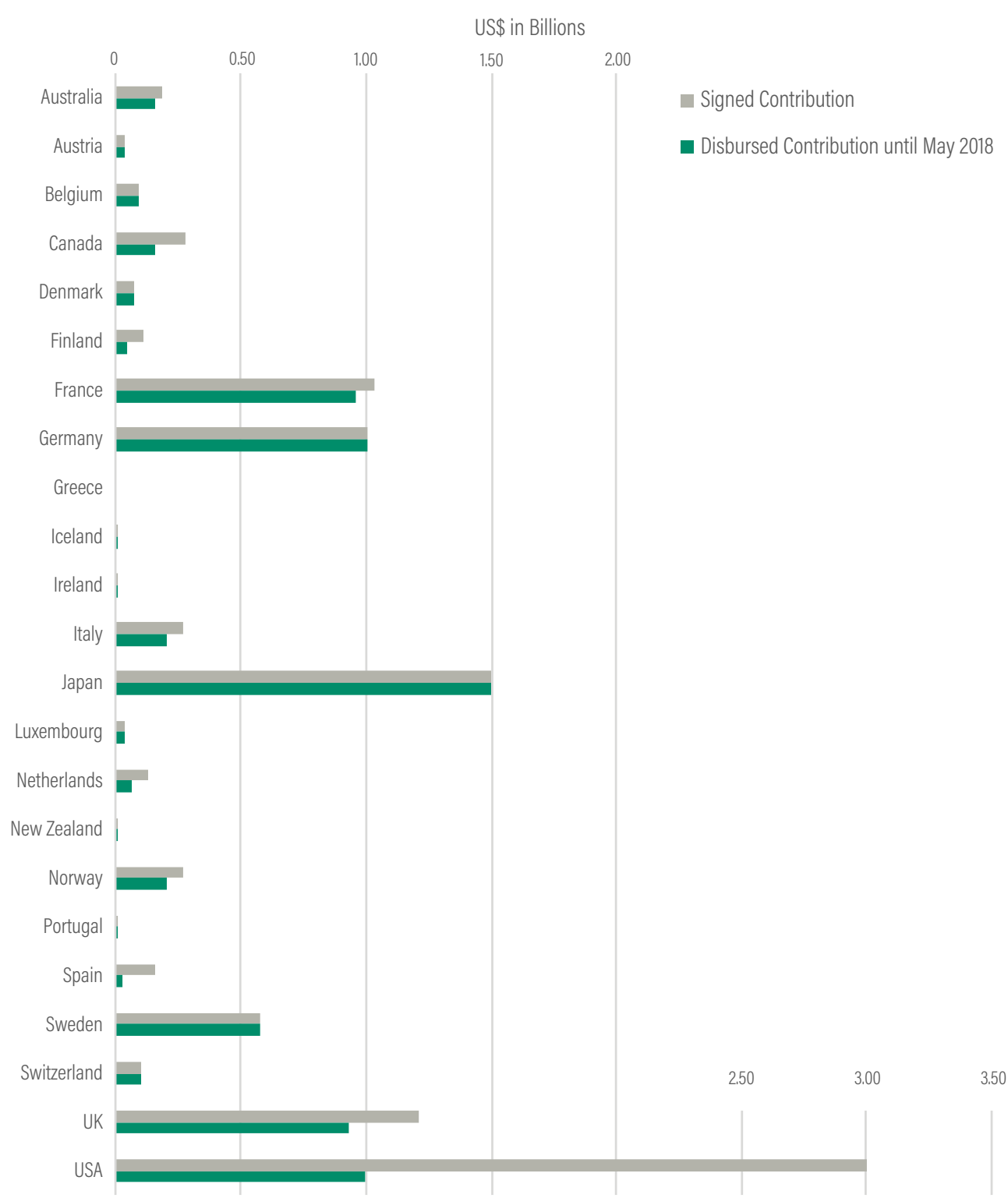
of total pledged resources (Amerasinghe et al. 2017). Contributions in the form of loans may have an impact on the fund's risk appetite and flexibility to use its full range of finance instruments to disburse resources. The policies for contributions, therefore, included a requirement for loans to be supported by a so-called “cushion facility,” the acceptance by the contributors that certain returns may not materialize and a conversion of loans in a grant-equivalent to determine the contributor's share in the GCF's contributed resources. These requirements, in case financial support is given in the form of concessional loans, remain important to give GCF the flexibility it requires to play its central role in international climate finance.

The effectiveness date (start of the operations of the fund) was set to April 30, 2015 (five months after the pledging session), or when 50 percent of the contributions were confirmed by fully executed contribution agreements or arrangements. On April 30, 2015, 19 countries had signed contribution arrangements totaling \$3.97 billion, which accounted for 42.5 percent of the total amount. The fund became operational on May 21, 2015 (six months after the pledging session), when Japan's contribution was signed. Figure 1 provides an overview of the share (committed as well as disbursed) of each developed country to the IRM. These 23 countries made up 98 percent of total amount of funding pledged to the GCF.

As shown in Figure 1, contributors are following up on their commitments with transfers of financial resources to the GCF. The important exception is the United States, which has not made transfers of financial resources after paying \$1 billion of its \$3 billion commitment. Even though the current situation can—and hopefully will—change over time, it is worth noting that an ambitious first replenishment will rely on the joint action of the remaining 22 developed countries, and other sources of funding, rather than the will of one country. Key stakeholders interviewed for this study considered it important to stay engaged with the United States, given its importance in reducing greenhouse gas (GHG) emissions and in addressing the effects of climate change.

Cyprus, Liechtenstein, Malta, and Monaco also made contributions to the GCF, along with several Economies in Transition: Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, and Romania. Developing countries can also contribute to the GCF, and nine did so in the IRM: Chile, Colombia, Indonesia, Mexico, Mongolia, Panama, Peru, South Korea, and Vietnam (Table 1).

Figure 1 | Green Climate Fund Initial Resource Mobilization (IRM) Pledges from Developed Countries (status as of May 8, 2018)



Note: Signed contribution refers to the legally binding contribution agreements signed by the contributing countries as a follow-up of their pledges, made at the IRM pledging session.  
Source: Compiled by authors, from data from GCF 2018d.



Table 1 | **Contributions Announced from Developing Countries**

COUNTRY	CHILE	COLOMBIA*	INDONESIA	MEXICO	MONGOLIA	PANAMA	PERU*	SOUTH KOREA	VIETNAM*
Amount announced (in US\$ millions)	0.3	5.7	0.3	10.0	0.0	1.0	6.0	100.0	1.0

\*Not yet signed

Source: Compiled by authors, from data from GCF 2018d.

## Ambition Requires Financial Support for the Replenishment

There is no agreement yet on whether and how a target should be set for the GCF's first replenishment. Given that most GCF projects are still in their early stages, it is difficult to evaluate the GCF's impact in terms of promoting a paradigm shift and assessing the additional funding necessary. Some stakeholders have suggested that the replenishment target be set on the basis of a needs assessment. A key question here would be how to conduct such an assessment and how to determine which needs should be supported by the GCF versus other sources of financing.

A bottom-up aggregation of country-level needs assessments could provide the necessary rationale for GCF support. The development of country programs under the GCF could be a potential source for such needs assessments but these are still in their early stages. As of May 2018, 5 country programs have been completed, 8 countries have drafts, and a total of 77 countries are in the process of developing country programs (GCF 2018b). With additional capacity building and readiness support, countries may be able to better articulate their needs for future replenishment rounds; however, for the first replenishment, it is unlikely there would be sufficient data for consensus around a needs-based target. Nonetheless, in light of the Paris Agreement's ambitions, it is reasonable to expect that the replenishment should aim to be ambitious and take the initial resource mobilization as a floor target. This would imply a target for the first replenishment of at least \$10.3 billion for a three-year programming period, with a call on each contributor to contribute at least the same amount in absolute terms to the first replenishment as they did for the IRM. Contributors are encouraged to take account of the scaled minimum indicative threshold (see below), and an appeal is made to add funds in case the absolute contribution would be below the threshold.

## Sharing the Financial Effort for Achieving GCF's Maximum Impact

Predictability of GCF resources can be strengthened by using a more objective and transparent framework to determine contributions to the GCF. While mandatory contributions are not legally feasible for the GCF, a scaled indicative minimum threshold can improve transparency and accountability and may encourage contributors to provide financial resources at a comparable level to their peers, which would lead to greater predictability. Research shows that investing now will reduce costs in the longer term, emphasizing the urgency of increasing investments in climate action (Box 1). In the spirit of the Paris Agreement, which calls for greater ambition, such indicative thresholds should not impose a limit on what countries may pledge. The discussion will therefore concentrate around a scaled indicative minimum threshold for contributors while encouraging those who can afford it to contribute more.

## Proposal for a Scaled Indicative Minimum Threshold for Contributions

From interviews, as well as from experiences with other organizations, it became clear that predictability of funding of GCF is an important concern. The different positions of contributors, some ambitious while others seem to hold back, combined with the absence of a transparent framework for sharing the financial effort, create uncertainty about the future of GCF resources. This is why we call for a more objective and transparent framework that uses an indicative minimum threshold (IMT) for contributions to GCF.

## Box 1 | Investing Now Will Reduce Costs in the Long Term

In 2017, the Organisation for Economic Co-operation and Development (OECD) published its report “Investing in Climate, Investing in Growth.” This report elaborates on the costs of delaying action to reduce emissions. Countries may be tempted to delay decarbonization for several reasons, including the long-term nature of the climate threat and political resistance based on perceived short-term risk of economic, distributional, or competitiveness impacts of climate policies. Such a delay would simply increase the transition costs and require a more abrupt adjustment when action does finally start. If more stringent policies were introduced later, they would affect a larger stock of high-carbon infrastructure built in the intervening years, leading to high levels of stranded assets across the economy. In a delayed action scenario where action on climate change accelerates only after 2025, GDP losses are estimated to be 2 percent on average across the G20 after 10 years, relative to the decisive transition, and would be higher for net fossil fuel-exporting countries (OECD 2017).

The Emissions Gap Report of UNEP calls for urgent action. In case investments are delayed, there will be implications, including the need for significantly higher rates of global emission reductions in the medium and long term to meet the “well below 2°C” target. Other effects will include greater lock-in of carbon- and energy-intensive infrastructure in the energy system and society as a whole; higher dependence on negative emissions technologies in the medium term (technologies that so far are unproven on a larger scale); and an increase in the costs of mitigation in the medium and long term, including greater risks of economic disruption (UNEP 2016).

The use of a formula to calculate the IMT can help achieve a predictable and ambitious funding level. To gain wide acceptance, the formula should be based on indicators that are as objective, transparent, and consistent with the spirit of the Paris Agreement as possible. This paper recommends a formula we believe meets all of these criteria, and though other ways for making this calculation are possible, we believe this one provides a reasonable starting point for such a formula.

As a transitional step to the full use of IMT, countries may wish to consider using each contributor’s IRM pledge as a floor for its first replenishment contribution and—where the IRM pledge was less than the amount suggested by the IMT—scale up their IRM pledge. At a later stage, the IMT might become the basis for sharing efforts among contributors to finance an amount determined on the basis of an agreed-on country needs assessment.

The IMT calculation recommended here is based on: share of the gross national income, averaged over the past six years; share of cumulative GHG emissions, based on averaged 1850 and 1990 cumulative data; and a scaling factor of GHG emissions per capita, depending on whether the contributor is above or below the average emissions of the sample group (in this case, the 23 contributing countries). Below we elaborate on each element of the calculation:

### Share of GNI, averaged over the past six years ( $GNI_{av}$ )

The gross national income (GNI) is a widely used indicator to measure an economy’s size. It is also an indicator of the potential to provide support to international climate finance. The average GNI over the past six years ( $GNI_{av}$ ) is measured here against the  $GNI_{av}$  of all 23 contributing countries to arrive at a percentage for each of the contributing countries.

### Share of cumulative GHG emissions, average on the 1850 cumulative data and the 1990 cumulative data, including the land-use change and forestry ( $GHG_{1850,1990, \text{sinks}}$ )

GHG is another important determinant to assess each contributor’s responsibility for addressing the effects of climate change. The cumulative GHG emissions since 1850 and since 1990 takes account of the climate-specific focus of the GCF, and the differentiated responsibilities countries have for climate change. The UNFCCC and the Intergovernmental Panel on Climate Change (IPCC) frequently use 1990 as a baseline for emissions-related considerations. The two components (1850 onwards and 1990 onwards) are averaged in our proposed formula. The outcome will be measured against the  $GHG_{1850,1990, \text{sinks}}$  of all sample countries to arrive at a percentage for each of the countries in the sample group. Note that the sink-effects are incorporated in this component by including the land use, land-use change, and forestry (LULUCF) data.

The outcome of both elements is averaged for the sample group to arrive at the IMT.

### The last component brings the IMT to a scaled IMT.

This stage also looks at GHG emissions but calculates on a per capita basis. This is designed to incentivize countries to lower their own GHG emissions and to insert a level of fairness because it levels the playing field for countries that have larger populations. Countries that take more domestic action to reduce emissions will have a lower scaled IMT. This will be realized by taking the amount, which the contributor is above or below the average

GHG emission per capita of the sample group and apply a scaling factor. If a contributor emits more GHG per capita than the average, the result will be an increase of the IMT; in a case where the contributor emits less than the average, a reduction of the IMT will result. The scaling factor will be low in the initial years of GCF's existence (the proposal is to start with a factor of 0.25); toward 2050, when the Paris Agreement asks countries to move toward zero-emissions, the factor would rise, reaching, for example, 0.75 in 2050. In a case where all countries respect the Paris Agreement's ambitions, the higher scale would matter less, because the GHG emissions per capita should be (close to) zero.

The scaled IMT would be calculated as the average of the adjusted GNI and the share of cumulative GHG emissions, as averaged between the 1850 cumulative data and the 1990 cumulative data, and multiplied by the GHG per capita scaled incentive. The methodology is explained in more detail in Appendix A.

The application of this formula would lead to the following scaled IMT if applied to the 23 developed country traditional contributors (Figure 2). A web-based tool, the contributions calculator, will give more details about what an IMT could mean for each contributing country.

We acknowledge that this formula is not perfect; other elements and considerations can be taken into account. However, this proposal aims to start the process of defining a contribution standard for the long term. We have designed a web-based contributions calculator [www.wri.org/resources/data-visualizations/green-climate-fund-contributions-calculator](http://www.wri.org/resources/data-visualizations/green-climate-fund-contributions-calculator), which calculates each contributor's share in the first replenishment, on the basis of the scaled IMT formula.

The GCF's Governing Instrument (GI) states that the fund will receive financial inputs from developed country parties and may also receive financial inputs from a variety of other sources, public and private, including alternative sources (Governing Instrument, paragraphs 29, 30). This allows emerging economies to contribute to the GCF on a voluntary basis, like some of them did at the IRM. The scaled IMT could also be applied to those countries. The voluntary character of these contributions underlines that these contributions will not be considered toward the current \$100 billion per annum climate finance mobilization target for 2020.

## Recommendations

Contributors are encouraged to commit at least the same amount in absolute terms as they did at the IRM and to introduce the scaled indicative minimum threshold as a basis to determine the floor for their commitment to the first replenishment. Contributors are encouraged to scale up their commitments above this minimum threshold, given the financial and economic advantages of early investments to accelerate the paradigm shift toward low GHG emissions and climate-resilient development pathways.

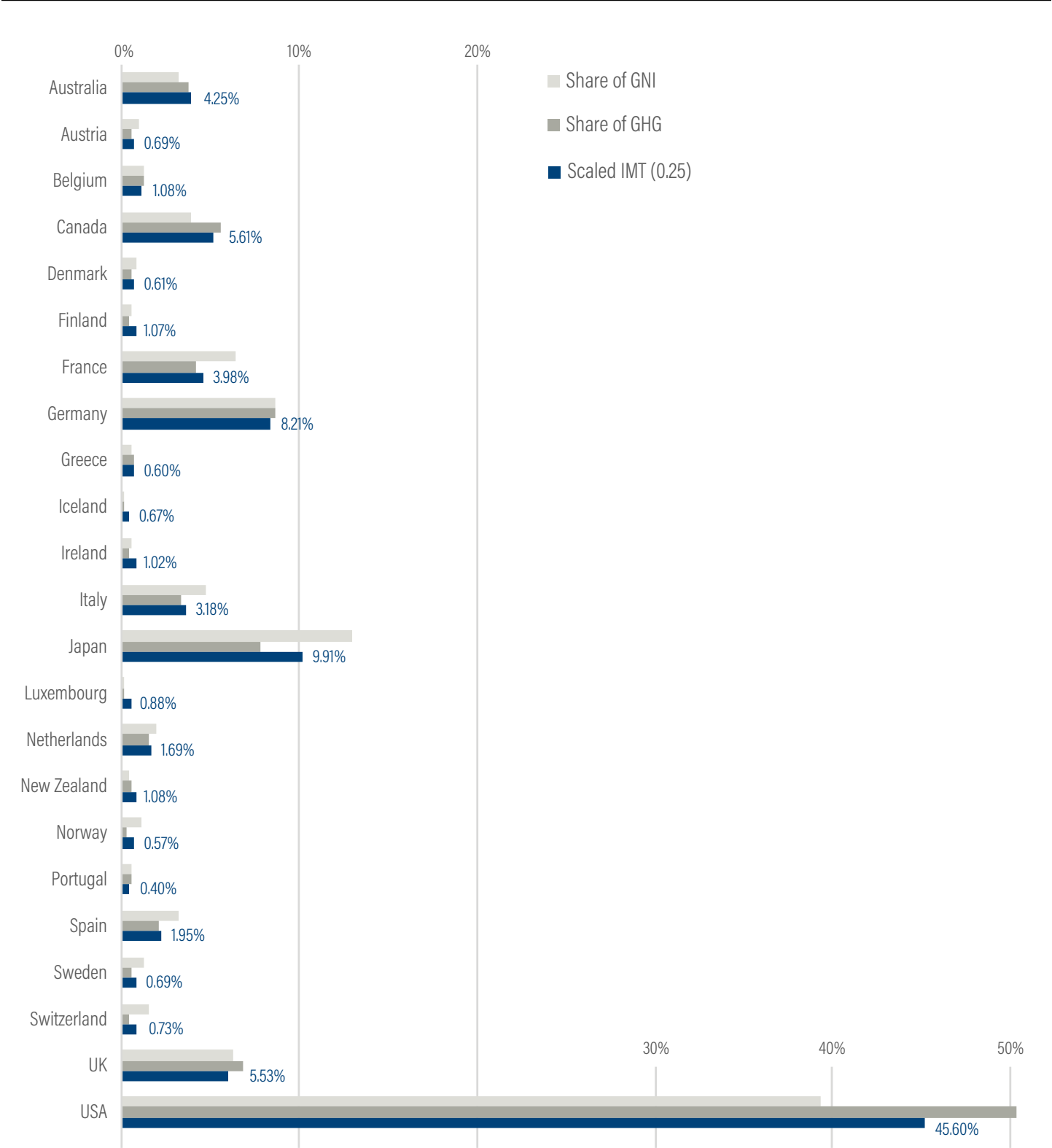
The base level of the GCF's first replenishment should be set at \$10.3 billion, which was the level of the IRM in 2014. To strive for greater ambition, GCF contributors might consider setting a level for additional financial support on top of the \$10.3 billion.<sup>3</sup> In the longer term, the IMT might become the basis for sharing efforts among contributors to finance an amount determined preferably on the basis of an agreed-on country needs assessment. Recognizing that contributions as loans restrict the risk appetite and flexibility of the GCF to use the full range of financial instruments, contributors should—as agreed for the IRM—provide a loan cushion, recognize the risk of a write-down in case of non-performance of the GCF-loan, and use grant-equivalency to determine their share in the fund's mobilized resources.

## STRENGTHENING BOARD EFFECTIVENESS

As in any institution, the quality of the GCF's governance will directly impact the extent to which the GCF will be successful in meeting its mission of supporting the Paris Agreement. Central to the GCF's governance is the board, which is the highest organ in the institutional structure. The board is responsible for oversight of the GCF and has historically taken a broad role, ranging from approving projects to policies governing virtually every aspect of the fund's business. The question of how to ensure that the board is an effective body is therefore essential to the future performance of the GCF and of interest during the replenishment process.

As GCF's primary decision-maker (Governing Instrument, paragraph 18), the board should rely on suitable decision-making processes that may be subject to evaluation to promote transparency and efficiency. In this paper, we focus on two aspects concerning the board's effectiveness. The first is the mechanism through which it makes decisions. The second is its role in assessing its own performance.

**Figure 2 | Scaled Indicative Minimum Threshold (IMT) for 23 Developed Countries in Percentage of Total Funding (Status as of May 8, 2018)**



Source: Calculated by authors, from data from World Bank 2017, PIK 2017, and GCF 2018d.

We arrived at these two aspects through our interviews, literature review, and workshop in Bamako. It became clear that addressing governance issues, as well as the predictability of funding, is essential for unlocking the policy stalemate and for considering more delegated authority to the secretariat. The foundational issues of governance and resources need to be addressed before other policy issues can be solved: one comes before the other.

## Board Decision-Making

### How the board currently makes decisions

According to the GCF's GI, "Decisions of the Board will be taken by consensus of the Board members. The Board will develop procedures for adopting decisions in the event that all efforts at reaching consensus have been exhausted" (Governing Instrument, paragraph 14). So far, the board has not decided on a decision-making mechanism in the absence of consensus, and the board has operated solely on the basis of consensus.<sup>4</sup>

Consensus plays an important role in the governance of the GCF decision-making structure, which is based on the principle of parity between developing and developed countries. "Parity" is a balanced partnership between members of the board from developed and developing countries (GCF 2015). Parity in decision-making powers between developed and developing countries is a relatively recent development in international cooperation. In 1992, the Global Environment Facility (GEF) was one of the first multilateral entities to adopt such a governance structure. It is also a reflection of the idea that global responsibilities are not the exclusive concern of one group of stakeholders, but of all countries. Parity is the basis of most, if not all, elements of GCF: The board, the standing and ad hoc committees, and the advisory bodies are all based on parity between developing and developed countries.

How has consensus been interpreted so far? At the GCF, consensus has generally meant that, in practice, all board members must feel comfortable with the proposed decision. The General Counsel has not been asked to issue guidance on the matter. In other international fora, including the UNFCCC, the approach of not actively opposing the proposed decision is considered consensus,<sup>5</sup> as opposed to the decisions taken by unanimity.<sup>6</sup> The GEF Council has never resorted to voting,<sup>7</sup> and, even in cases where some GEF Council members were not comfortable with a proposed decision, consensus prevailed, and the decision was made.

### Box 2 | Examples of Consensus When Some Board Members Did Not Agree

During GCF deliberations leading to a proposed decision concerning administrative guidelines on human resources, one of the authors found himself as the only board member with remaining concerns. Following consultations with the relevant capitals of his constituency, the board member declared that he would not oppose the emerging consensus but made a statement to explain his position.

The 53rd GEF Council (November 2017) led the United States to oppose several project-related decisions in light of national policy, so the United States did not join the relevant council decisions. On other project proposals, the United States abstained from participating in decisions in light of national policy. France, Italy, and Spain also abstained from participating in specific Council decisions. These positions were no impediment to the GEF Council taking the relevant decision, and a vote was not called for.

The governing bodies of the Vaccine Alliance (GAVI), and the boards of the MDBs, rarely, if ever, resort to voting, instead approaching the consensus principle in the same manner as the GEF.

In cases where GEF Council members are not fully convinced but do not wish to actively oppose the decision, they have allowed the decision to be approved with a "for the record" statement that memorializes their concerns (Box 2). This generally happens when only one or two Council members have lingering concerns about a decision. However, the member(s) believe that accepting a proposed decision with reservations is a better approach than blocking the decision altogether.

Several stakeholders mentioned that the option to call for a vote is almost never used in other organizations because board members realize that they may not prevail if a vote is called. Moreover, these stakeholders mentioned that board members who consider breaking with the consensus rule may impact the interests of the organization negatively given the ostensive lack of governing unity. At the same time, stakeholders mentioned the importance of having a voting rule, as it has a disciplining effect on decision-making and serves as an incentive to reach consensus, even on difficult issues.



On the whole, the approach of letting a decision through while recording dissent has rarely been used in GCF. Much more often, it has been interpreted as unanimity, so that if one or more GCF Board members do not agree with a proposed decision, it is not taken, which impedes GCF's work. As currently interpreted, any board member can block any decision for any reason.

## Issues arising from the status quo

**Policy gaps.** Lack of consensus has meant that key policies or projects have been unable to advance at the GCF's Board. In some areas there has been no consensus, leading to policy gaps that the secretariat must work around, often creating further confusion and risking a misinterpretation of the board's intentions. Examples include financial terms and conditions of loans and grants, criteria for levels of concessionality,<sup>8</sup> gender equality and social inclusion (GCF 2018c).

**Unclear decisions.** Often caused by last-minute changes in draft decision texts during the board's crunch time, unclear decisions can lead to unclear policies and guidance applied by the secretariat. Several stakeholders, especially those active at the level of recipient institutions, mentioned the need for better guidance from GCF, so that they would better understand GCF's requirements and procedures. They mentioned that policies are often unclear, secretariat staff are uncertain what guidance the board wants them to give to stakeholders like NDAs and AEs, and procedures or application formats change frequently. In addition, there is a need to fill several gaps in the GCF operational policy framework. Main policy gaps relate to guidance on how to enhance the climate rationale of GCF activities, the policy on concessionality, incremental and full-cost methodologies, co-financing, and the financial terms and conditions of GCF financial instruments (GCF 2018c).

The Readiness Program and the Investment Framework are often mentioned as examples of where the lack of clarity in decisions has caused operational problems. Stakeholders were also worried about the increasing number of conditions attached to the board's approval of projects and noted that the conditions are becoming unpredictable, and so they are used to compensating for the lack of general policy guidance.

**Individual blocks.** Consensus has also held back progress, even when the block comes from only one or two countries that have idiosyncratic political concerns

that are not shared by others. In the past, some funding proposals at the GCF's Board were not adopted due to the opposition of one country. These concerns are impeding progress.

## Options for reform

Based on informal consultations by the co-chairs with board members, a document was submitted to the board in 2015 with a set of voting options to arrive at a decision-making procedure (GCF 2015).<sup>9</sup> The paper identifies basic system-wide principles of decision-making such as

- equality of board members (those from developed and developing countries have equal rights and responsibilities);<sup>10</sup>
- balanced partnership between board members from developed and developing countries (principle of parity);
- one board composed of all board members from various constituencies;
- layered majorities, depending on the subject of the proposed decision; and
- incentivization of parties to make contributions by attributing weighting of votes on the basis of financial contribution.

There was no agreement among board members for either a one country—one vote or a weighted voting system, so the co-chairs developed five alternatives,<sup>11</sup> which have been summarized and illustrated with examples as follows:

**A. Two-thirds rule, with double majorities.** Two-thirds majority of the members present and voting, representing the majority of members from both developing countries and developed countries. Example: If the full board is present, that would mean at least 16 board members support the decision, including the majority in each constituency, which is at least seven developed and seven developing countries.

**B. Two-thirds rule, with double majorities, variation 1.** Same as A, but each constituency has its own voting arrangement: developing countries will use the one-vote-per-board-member system, while developed countries' board members votes will be based on their relative share in the form of cash or promissory notes in GCF's contributed resources, with a simple majority



of total cumulative contributions. The multi-country shares will add the shares of the contributors they represent; they cannot split their vote. Example: If a full board is present, there are at least 16 board members supporting the decision, including at least seven developing countries and developed countries amounting to at least 51 percent of the cumulative shares of contributed resources, which together account for over 50 percent of contributions.

**C. Two-thirds rule, with double majorities, variation 2.** Same as B, but with a threshold on the side of developed countries of 75 percent of the total cumulative contributions, paid in cash or in promissory notes, to the GCF, rather than just 50 percent. Developed-country board members representing multiple countries will add the shares of the contributors they represent; they cannot split their vote. Example: If the full board is present, there are at least 16 board members supporting the decision, including at least seven developing countries and developed countries amounting to at least 75 percent of the cumulative shares of contributed resources.

**D. Sixty percent double-majority.** The vote would be counted twice. For the first count to be successful, it would require at least 60 percent of the total number of board members supporting the decision. The second count of voting would require support from board members representing at least 60 percent of the total cumulative contributions, by both developed as well as developing countries, to the GCF. Board members representing multiple countries cannot split their vote. Example: If the full board is present, the first round would need at least 15 board members to support the decision, and the second round would require at least the support of 60 percent of the cumulative shares (developed and developing countries).

**E. Multiple thresholds depending on decision.** This is known as “special majorities” or “qualified majorities” in other organizations. It would involve different minimum thresholds, depending on the topic under consideration. There would be two rounds of voting. In the first round all board members would have one vote and at least 90, 75, 66.6 or 51 percent of the members present and voting should be in favor of the proposed decision. In the second round all board members will have a weighted vote per constituency. The weight of their vote is based on their relative cumulative share in

the fund’s contributed resources, with the understanding that each board member gets at least one vote. This implies that a certain number of board members in one constituency can block the decision. Thresholds would depend on the type of decision: for example, approving projects or making policy decisions. This option could also be simplified by using one voting round, giving each board member one vote, with tiered majorities depending on the topic. Example: When the full board is present and voting and a decision requires a tiered 75 percent vote, the decision is approved in case at least 18 board members supporting the decision, including at least nine developed and nine developing countries.

## Discussion of the decision-making options

Using the basic principles of decision-making explained above, an analysis of the five options results in the following conclusions:

- **Equality.** The principle of equality seems to be respected in all options, though option E might be the exception; however, the simplified version of option E would meet the principle of equality.
- **Parity.** Parity, having equal power among developed and developing countries, is respected in options A, B, C, and E. Parity is not respected in option D, given that the decision in the second-round countries, who are unable to provide financial support to GCF, are excluded from voting.
- **The One board.** This principle is respected in option D, because no distinction is made between the different constituencies. In all other options the one-board principle is questioned, because of the distinction between developed and developing country board members, which is not conducive to operating as one board.
- **Layered majorities.** The principle of layered majorities is reflected only in option E.
- **Incentive to contribute.** Options D and E provide an incentive to all contributing countries, regardless of whether they are a developed or developing country, to contribute to the GCF to enhance their influence, while options B and C only provide an incentive for developed countries to provide financial support to GCF. If a solution is sought by making contributing developing countries part of a weighted vote, there will be a risk that these countries will have a double vote in the second round.

From interviews with key stakeholders, especially from developing countries, it became clear that the principle of parity is essential to the GCF's identity. Interviewees stressed the importance of consensus but were open to voting in the event consensus cannot be reached and a decision needs to be made. It became clear, especially from discussions with in-country stakeholders (NDAs, AEs, and government officials), that it is imperative for GCF to improve its decision-making and to have timely and clear guidance available, so that stakeholders can act and the GCF Secretariat can be more precise in its guidance and support of country-level activities. Some stakeholders also considered the large number of conditional board approvals of projects as bothersome and difficult to implement, let alone to monitor. These stakeholders were of the opinion that if the board could be more precise and timely in its policy guidance—something that could be achieved through a mechanism for making decisions in the absence of consensus—the need for attaching conditions to approvals would decrease.

## Recommendations

Consensus is important, but the board should consider adopting the approach to consensus used in other boards and international processes, which allows board members to express a dissenting opinion without necessarily blocking decisions. In other words, the process of reaching consensus should not be narrowly interpreted as unanimity.

As stipulated in the GI, the GCF Board should agree on a mechanism for decision-making in the absence of consensus. We recommend adopting a mechanism in which decisions that enjoy support from a two-thirds majority of the members present and voting, representing the majority of members from both developing countries and developed countries, would be approved. This option (option A) seems most appropriate, since it respects the principle of parity without attributing a different weight to each vote. The voting might include layered majorities for different kinds of decisions; for example, a 66.6 percent majority for policy-related decisions and a 51 percent majority for project approvals (option E simplified). The element of incentivizing contributions can be captured by improving the board's representational and accountability features, topics that are analyzed in Section 4.

## Board Self-Assessment

The COP may commission an independent assessment of the overall performance of the fund, including board performance (Governing Instrument, paragraph 62). The possibility of commissioning an external evaluation of the board's performance does not preclude the board starting a self-evaluation process on its own initiative.

Self-evaluation of the board's performance will help to determine whether a board functions effectively (Larcker et al. 2017) and serves the best interests of the organization. Self-evaluations should consider the specific context of each organization since no one size fits all (World Bank 2017).

## Best practice today

There is an emerging consensus in many different types of organizations that board self-assessments are considered central to good governance:

- **Non-profit world.** 2017 National Index of U.S. Non-profit Board Practices<sup>12</sup> findings show that boards that assess their performance regularly perform better on core responsibilities.
- **Private sector.** Within corporate boards, a self-assessment can be mandatory, especially if shares are being traded through stock markets.<sup>13</sup> Regular assessment of the board, whether it is independent or performed by the board itself, is linked with the improvement of its performance in the fulfillment of its functions.
- **International organizations.** There are board self-evaluation policies in several international organizations such as the World Bank, UNDP, and the International Fund for Agricultural Development (IFAD). The World Bank policies cover self-evaluation as well as independent evaluation; IFAD policies focus primarily on independent evaluation, but also include the option of self-evaluation; and UNDP policies cover both independent evaluation and self-evaluation. Based on an independent evaluation, the International Monetary Fund (IMF) put a self-evaluation of the board's performance in place. In 2015, the Global Fund to Fight AIDS, Tuberculosis and Malaria (Global Fund) started a process of performance assessment of the board to assess the overall effectiveness of the Global Fund's governing bodies in enabling the fund to achieve its targeted goals.<sup>14</sup>

## Main elements of a self-assessment

Three factors are considered by scholars (Larcker et al. 2017) as central when a board performs a self-assessment of its effectiveness:

- **Productivity** is an examination of whether board meetings are geared toward maximum productivity, including an honest exchange of ideas and the inclusion of all members in discussions.
- **Leadership** is an analysis of how the board's co-chairs and committee co-chairs are selected; including whether the leadership has the full support and recognition of the board, and whether chairs are regarded as authoritative. This refers, for instance, to the ability to enforce the rules of procedure and adherence to the agenda (Rules of Procedure,<sup>15</sup> paragraph 12).
- **Board member interactions and decision-making** require an assessment of the board's knowledge, expertise, and ways of working (Sandford University 2016).

## Recommendations

The COP should commission an independent review of the performance of the board as stated in the GCF's GI. The board should conduct annual self-evaluations on its performance. In conducting this evaluation, a baseline needs to be defined. Key principles to be evaluated should include: productivity, leadership, and board member interaction and decision-making.

## STRENGTHENING THE BOARD'S ROLE AS A REPRESENTATIVE BODY

Board members are selected by their respective constituency or regional group within a constituency (Governing Instrument, paragraph 11). From interviewing stakeholders, we learned that they consider it to be the board member's responsibility to both defend the fund's interests and to promote the views stemming from their respective countries or regional groups, in the case of developing countries. As for the co-chairs, in carrying out their functions, they are guided by the best interests of the fund (Rules of Procedure, paragraph 10). The GCF governance instruments are quite general in their guidance about the selection of board members and their role vis-à-vis the countries who selected them.<sup>16</sup> Stakeholders, especially government officials, indicated that they would

like to know who represents their interests in the board, especially given the potential that board decisions may affect their country.

## Parity between Developing and Developed Countries

The GCF's governance is based on the principle of parity between developing and developed countries. This is reflected in the 24-member board, which is composed of two constituencies: developing countries and developed countries. Each constituency consists of 12 board members and 12 alternates, who elect one of their members as a co-chair of the board (Governing Instrument, paragraphs 9, 11, 13).

There is no definition within the GI of developed and developing countries. Countries have organized themselves along the lines set out in the UNFCCC with annex I Parties (the industrialized economies, together with the economies in transition) being the basis of the developed countries constituency and non-annex I Parties being the basis of the developing countries' constituency, but these terms are not used in the GCF. Given the absence of a definition, it could be possible for the composition of the constituencies to change: if a country wishes to transition from one constituency to another, this country may do so if the receiving constituency is willing to host the country as one of its members.

In the context of GCF, geographic representation for developing countries is based on the UN regional groups, as well as the specific interests of the small island developing states (SIDS) and least developed countries (LDCs) (Governing Instrument, paragraph 9). The developed countries have no defined system to ensure equitable geographical representation within their constituency: members of Western Europe and Others group, the Eastern Europe group, and one member of the Asia-Pacific group (Japan) are combined within the constituency, with no formula for allocating to different regions.

All 24 GCF Board members take their seat on the basis of their personal names rather than the country or countries they represent. The GCF website mentions which constituency—and in case of the developing countries, the regional group—has selected the board member and alternate. However, there is no reference to the specific countries involved in the selection of the board member and which countries the board member represents.

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## How Board Members Are Selected

Board members and alternates are selected by their own constituencies:

### Developing Country Seats

Developing country seats are based on the UN regional groups, as well as special seats for SIDS and LDCs (Rules of Procedure, paragraph 3):

- Asia-Pacific States: 3 board seats and 3 alternate seats
- African States: 3 board seats and 3 alternate seats
- Latin American and Caribbean States: 3 board seats and 3 alternate seats
- Small Island Developing States: 1 board seat and 1 alternate seat
- Least Developed Countries: 1 board member and 1 alternate seat
- Developing countries not represented in the groups above: 1 board member and 1 alternate will rotate among the groups and constituencies above.

These regional groups decide how to assign the board member and alternate seats among their members, with no standardized rules and a selection process that varies by region. The relevant regional coordinator, as identified in UNFCCC's monthly bulletin (UNFCCC 2018), informs the secretariat of the selected officials. The African and SIDS constituencies select individuals for the full term of the board. In the Asia and Pacific group, all board members and alternate board members were selected for the full three-year term. The three GRULAC board seats rotate every year. This annual rotation has presented challenges; since B.18, two developing country seats for the Latin America region were not filled because the regional coordinator was unable to provide information regarding the name of the new representatives of these countries to fill the vacant seats in time. The last category, the "developing countries not represented in the groups above" relates in fact to the Eastern Europe group. This group decides per board term who will represent their interest in the board. The additional developing country alternate board member seat is determined based on internal negotiations among developing countries and is allocated for the current term to the Africa group and will rotate to GRULAC

for the upcoming board term (2019–2021). The co-chair position of the developing countries rotates throughout the regional groups. Although frequent rotations of board members during their three-year term seem to be a common practice for some representatives at the GCF Board, these changes can undermine board members' ability to develop institutional knowledge and constrain an effective contribution to the decision-making processes.

It is of particular concern to see that several developing country board seats have remained unfilled. In the case of GRULAC, recent political disagreements within the group have stalled the rotation schedule, and the seats therefore remain empty, although their alternate members remain in place. An empty board seat means that the views of several member-countries are not fully represented in the board deliberations, which may undermine the accountability and credibility of the organization.

### Developed Country Seats

Developed country seats are assigned to representatives of contributing countries on the basis of informal negotiations. Currently, six developed country seats are "single country seats" that are held by the six largest contributors to the GCF: the United States, Japan, United Kingdom, France, Germany, and Sweden. It is not entirely clear what the criteria are to allow a developed country to serve as a single country seat. If the criteria were to be based on the share in the GCF initial resources mobilized, each country paying more than 1/12 (8.33 percent) of the contributed resources should be entitled to a single constituency board seat. However, that cannot be the criteria because not all six seats represent 8.33 percent or more as a share of the initial resources, and there are no publicly available selection criteria. The six other developed country seats are shared between multiple countries, representing a broad range of shares in the fund's contributed resources (from 5.1 percent to 2.02 percent) with countries of different geographies and backgrounds grouped together. In some cases, countries on opposite sides of the globe share seats; for example, the Czech Republic shares a seat with Australia and New Zealand while Belgium and Poland share with Canada. The criteria for developed countries selecting their co-chair are also unclear. In general, the processes for making developed country seat and co-chair allocations are not transparent but are based on political agreements among all developed countries.



## Board Constituencies

Constituencies are standard features in the governing structure of many organizations where not every member can be represented directly in the governing body. A general feature of board constituencies is that the arrangement for each individual board seat is tailored to the needs and interests of the constituents, giving a platform to those countries not present on the board (Table 2).

The GEF, which alongside the GCF is the other operating entity of the Financial mechanism of the UNFCCC and the Paris Agreement, has a Council with 32 members. Developing countries have 16 seats on the board, developed countries have 14 seats, and the economies in transition have two seats. Most seats are based on multi-country arrangements, which include a rotation of the board seats among constituent members, as well as a consultation and debriefing mechanism for constituents. A special feature within the GEF context is the availability of a budget line, administered by the secretary of the board, to support the logistics of a semi-annual developing countries' constituency meeting. The secretariat pays for the logistics, including travel and accommodation, of two representatives (GEF operational focal point and the political focal point of each country). The secretariat and representatives from implementing agencies normally attend these constituency meetings as well. These meetings are a platform to update constituency members and provide input to their board representative.

The Adaptation Fund (AF), which currently serves the Kyoto Protocol but will soon serve the Paris Agreement, has a board of 16 members and 16 alternates representing Parties to the Kyoto Protocol. The selection of board members is based on regional groups, as is the case with GCF. Two representatives come from each of the five UN regional groups (Africa, Asia-Pacific, Eastern Europe, Latin American and Caribbean, Western European, and Others); one representative each comes from Small Island Developing States and Least Developed Countries; and two representatives each come from Annex I and non-Annex I Parties to the UNFCCC (UNFCCC 2007, Decision 1/CMP.3 paragraph 6). It is exceptional among fund boards for developing countries to have a majority (around 69 percent of seats).

An early example of the constituency approach is the World Bank. In Bretton Woods (Bretton Woods Project

2005), it was agreed that the board of the World Bank, in particular the International Bank for Reconstruction and Development (IBRD), would be based on constituencies around each board seat. The only exceptions were the five biggest economies. Given their importance in stabilizing the international financial sector and their role in strengthening international economic development, they were allocated their own seats on the boards. Therefore, each of the five board members is appointed by his or her respective shareholder. The other board members are elected by the remaining shareholders.

Elections take place every two years, in the margins of the annual meetings. The constituencies have adjusted over time in light of capital increases or the expansion of the World Bank's membership, but the principles remain the same. Each constituency has regular meetings to appraise its shareholders of recent developments and to gather their views. Each multi-country constituency has its own rotation schedule. This arrangement is the foundation for making sure that the position of the World Bank is taken based on the views of all its shareholders and that a system of accountability has developed to make sure that shareholders (member-states) are represented in the boardroom, even if their own national is not representing their view.

One of the most recent organizations with its own constituency basis is the Global Fund. The board includes 20 voting members, with equal representation by implementers and donors. Nongovernmental organizations; communities affected by HIV, TB, and malaria; the private sector; and private foundations are also represented as voting members. In addition, there are eight non-voting members, including the board Chair and Vice-Chair; representatives of partner organizations, including the World Health Organization and the World Bank; and the additional public donors constituency (Global Fund 2016, GF/B34/EDP07 Article 7). Each constituency elects its own board member and alternate as well as a communications focal point. The latter position is responsible for interacting with the constituents to keep them updated and to capture their views relating to items discussed among the Global Fund Board.

The GCF Board's composition and the representation of countries draw on constituency approaches used by the GEF and AF, and is represented in Figure 4.

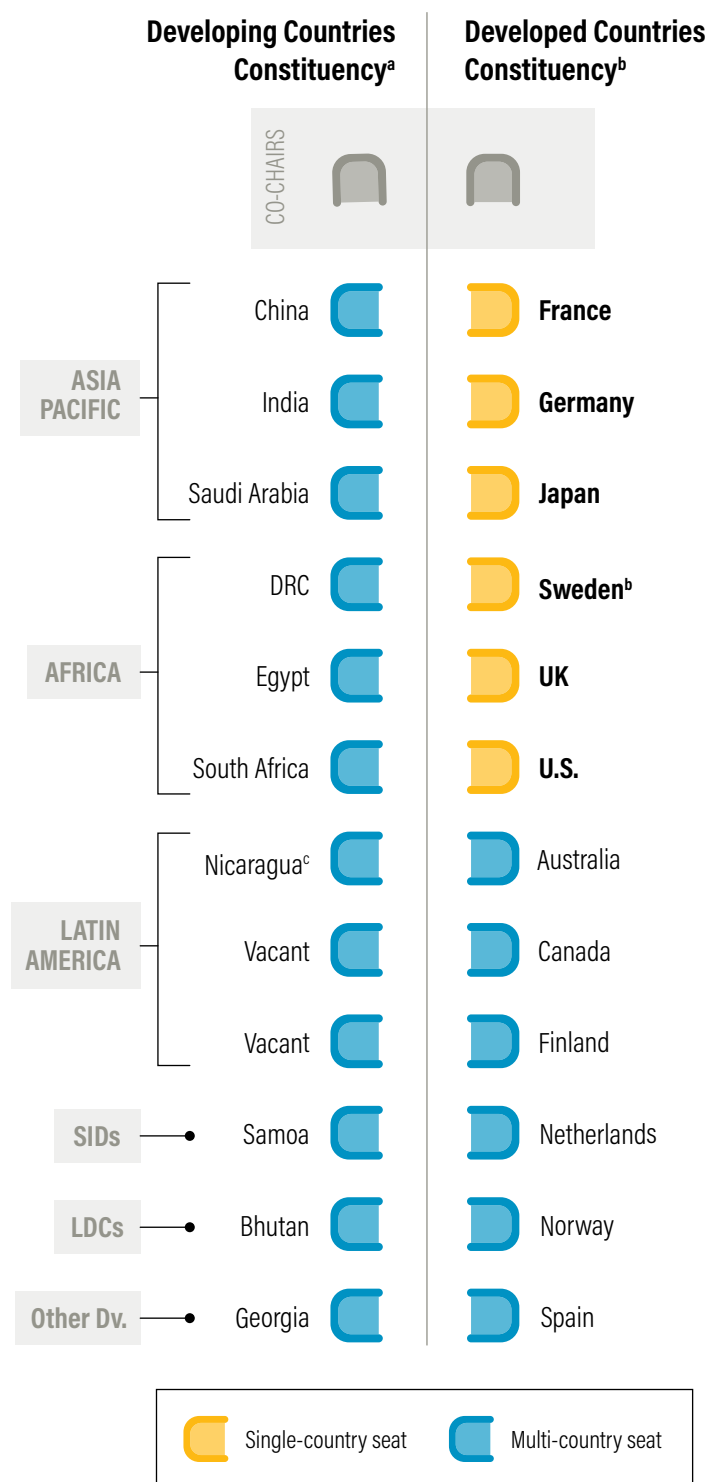
Table 2 | **Organization of Constituencies in International Agencies**

IOS	CONSTITUENCIES	BOARD MEMBERS
<b>AF<sup>a</sup></b>	<ul style="list-style-type: none"> <li>2 of each of the 5 UN regional groups</li> <li>1 SIDS</li> <li>1 LDC</li> <li>2 Annex I Parties</li> <li>2 non-Annex I Parties</li> </ul>	16
<b>GAVI<sup>b</sup></b>	<ul style="list-style-type: none"> <li>Eligible constituency: 5 developing countries, 5 country donors, 1 vaccine industry of developed country, 1 vaccine industry of developing country, 1 civil society organization, and 1 technical health/research institute.</li> <li>Eligible organization: 1 WHO, 1 UNICEF, 1 WB/IBRD, and 1 B&amp;MG Foundation</li> </ul>	18
<b>GEF<sup>c</sup></b>	<ul style="list-style-type: none"> <li>16 developing countries</li> <li>14 developed countries</li> <li>2 economies in transition</li> </ul>	32
<b>Global Fund<sup>d</sup></b>	<ul style="list-style-type: none"> <li>7 developing countries (1 from each of one representative based on each of the six World Health Organization regions and one additional from Africa)</li> <li>8 donors</li> <li>5 civil society and the private sector</li> <li>8 ex-officio non-voting members</li> </ul>	20
<b>IMF<sup>e</sup></b>	<ul style="list-style-type: none"> <li>5 member countries</li> <li>19 multi-country constituencies</li> </ul>	24
<b>IFAD<sup>f</sup></b>	<ul style="list-style-type: none"> <li>8 OECD countries</li> <li>4 OPEC countries</li> <li>6 developing countries: 2 Africa; 2 Europe, Asia, and the Pacific; and 2 Latin America and the Caribbean</li> </ul>	18
<b>ILO<sup>g</sup></b>	<ul style="list-style-type: none"> <li>28 government members</li> <li>14 employer members</li> <li>14 worker members</li> </ul>	56
<b>WB<sup>h</sup> (IBRD)</b>	<ul style="list-style-type: none"> <li>5 biggest economies</li> <li>20 multi-country constituencies</li> </ul>	25

Sources:

a) AF 2012. b) GAVI 2008a, 2008b. c) GEF 2015. d) Global Fund 2016. e) IMF 2018. f) IFAD 2018. g) ILO 1919. h) WB 2018.

Figure 4 | **Green Climate Fund Board Composition in July 2018**



Source: GCF 2018f.

Notes: <sup>a</sup> Regional groups, as listed in para. 3.1. of the board's Rules of Procedure.

<sup>b</sup> <sup>c</sup> Countries' representatives act as co-chairs.



## Voice, If Only Indirectly

Along with a suitable decision-making system, board members need coordination and reporting procedures among the members of their constituencies or regional groups within constituencies (in the case of developing countries) to effectively weigh the views of their constituents and the overall interest of the fund. Most interviewed stakeholders consider board members' responsibility to include defending the fund's interests and promoting views stemming from their respective countries or regional groups (in the case of developing countries). Stakeholders mentioned that they were not sure about the board members' role and, therefore, did not know when to call on their board member. Government officials were not always aware of who to approach as their board member, which they sometimes blamed on shortcomings in their own domestic coordination. Several stakeholders considered the board member selection process as tilted too much toward catering to the interests of climate and environment officials.

Several current and former board members mentioned the lack of support available to them for organizing and facilitating their interaction with the member states they represent. Some developing country board members are exploring how, when, and to whom they should report back about GCF debates. One developing country board member mentioned having explored different reporting audiences and noted that NDAs of represented countries were very interested in and eager to better understand what had been decided by the board. Such feedback made reporting to stakeholders much more rewarding, which shows that constituencies or regional groups within constituencies can benefit from coordination processes with a wider variety of stakeholders. The secretariat could assist in supporting board members in organizing these coordination meetings; it might be worthwhile to consider reserving funds to support the logistics of such meetings as is being done in the framework of the GEF.

## Accountability

Developed-country board members report individually to the countries they represent. As for developing-country constituencies, the reporting mechanisms depend on the manner in which each regional group has organized itself. For instance, the African group is coordinated through a platform called the African Group of Negotiators (AGN),

which facilitates the joint formulation of positions and gives board members the opportunity to report back about the GCF Board's deliberations. The Asia-Pacific group as well as GRULAC are more flexibly organized and normally meet before GCF and COP meetings, when the board members and alternates report back about the board deliberations and seek input from their constituency.

## Recommendations

Give the GCF Secretariat a more active supporting role to the constituencies or regional groups within constituencies to support the implementation of the agreements on the selection of board members, especially when board seats are not being filled. The secretariat should also be allowed to play a more pro-active and supportive role in on-boarding new board members, but without compromising board members' independence.

Make the board selection process more transparent, establishing clear criteria to be applied by respective constituencies or regional groups within constituencies, assuring that board members have sufficient experience and that each constituency has a mix of different skills and knowledge. In addition, constituencies should ensure the selection of their board members preferably for the full period of three years avoiding frequent rotations. This will enable the board to retain institutional knowledge and ensure that the board will have at least a minimum number of members with adequate board seniority. Board members should continue to serve until their successors have been appointed to avoid empty seats.

Board members should capture the views of the countries they represent, and board members should report back to the countries they represent, as part of an accountability mechanism. Constituencies should also accept that board members serve the interest of the GCF as a whole, not just the constituency who selected the board member, which can help strengthen the credibility of GCF as a leader in climate action.

The secretariat should have a dedicated budget to facilitate upon request regular (six-monthly) convenings of developing countries' board members with representatives of the countries they represent to capture opinions and to give feedback to the constituents about the board's decisions. Secretariat representatives, under specific mandates, could be present as facilitators.

## APPENDIX A: METHODOLOGY FOR THE SCALED INDICATIVE MINIMUM THRESHOLD

### Element A: *Share of the Average GNI* ( $GNI_{av}$ )

GNI is an important measure of an economy's income, giving an indication about the strength of an economy and its potential resource availability for investment. In that sense, GNI is the preferred indicator, as the GDP indicator does not incorporate the effects of foreign debt or the effects of income from production sources abroad. GNI data from the World Bank was used for this indicator with all amounts in US\$ calculated according to the Atlas method (World Bank 2017). In order to use GNI as a tool to determine the potential to contribute to the GCF replenishment, the average of the GNI over the past six years is used to avoid peaks or dips in GNI in individual years, thus skewing the results.

In order to make the formulas below more understandable for a wider public, it was decided to use notations more easily accessible to a wider audience, rather than use the mathematical symbols. The countries, to which the formulas are applied, are the 23 contributors to the IRM.

$$GNI_{av} = \frac{GNI_1 + GNI_2 + \dots + GNI_6}{6}$$

The share of  $GNI_{av}$  will then be measured against the  $GNI_{av}$  of all sample countries to arrive at a percentage for each of the countries within the group of 23 contributors.

The formula would read as follows:

$$\text{Share of } GNI_{av} = \frac{GNI_{av} \text{ of a country}}{\text{Total } GNI_{av}}$$

### Element B: *Adding GHG Emissions* ( $GHG_{1850,1990, \text{ sinks}}$ )

While human influence on GHG emissions began around 1850, it was not until the early 1990s that there was general acknowledgment by the scientific and international community that anthropogenic GHG emissions were the driver of climate change; the IPCC was established in 1988, and the UNFCCC was agreed to in 1992. The early 1990s mark the point from which there was an emerging understanding of national responsibilities in this regard. GHG data has become more reliable since 1990, as there has been routine monitoring and national reporting since then. Cumulative GHG emissions since 1990 capture countries' differing contributions to climate change as part of the IMT.

For the use of GHG data, there are three options:

- the most recent data (covering calendar year 2014)
- the data from 1990 onwards (start of reliable data collection)
- the data from 1850 onwards (start of human impact on climate change)

The most recent data does not seem viable given the one-dimensional snapshot of GHG emissions it offers. The data from 1990 and 1850 onwards both have their individual advantages and disadvantages. The former is more precise due to reliable data collection and constant monitoring, while the data beginning in 1850 encompasses all effects of GHG emissions, though this dataset is less robust. It was decided to combine the second two options as they represent the most fair and complete data selection. To combine their values, the average GHG emission per year was found for both options. The outcomes were then merged by averaging them.

We suggest using GHG emissions, including land-use, land-use change, and forestry (LULUCF), so as to give a complete picture of GHG-emissions and take into account the important effects of domestic sinks on countries' contributions to climate change. The Potsdam Institute for Climate Impact Research (PIK) database was used to calculate the  $GHG_{1850,1990, \text{ sinks}}$  for each country (PIK 2017):

$$\text{Share of } GHG_{1850,1990,\text{sinks}} = \frac{GHG_{1850,1990,\text{sinks}} \text{ of a country}}{\text{Total } GHG_{1850,1990,\text{sinks}}}$$

where:

$$GHG_{1850,1990,\text{sinks}} \text{ of a country} = \frac{GHG_{1850,\text{sinks}} \text{ of a country} + GHG_{1990,\text{sinks}} \text{ of a country}}{2}$$

The application of the  $GHG_{1850,1990,\text{sinks}}$  leads to a share in the total GHG emissions, which would then be adjusted to be the share of the 23 contributing countries' GHG emissions. This share will be combined with the share average GNI ( $GNI_{av}$ ). This will result in an average of the two percentages, which will be the IMT in the GCF's contributed resources.

The formula would read as follows:

$$\text{IMT for a country} = \frac{\text{Share of } GNI_{av} \text{ for a country} + \text{Share of } GHG_{1850,1990,\text{sinks}} \text{ for a country}}{2}$$

### Element C: Incorporating Consequences of Domestic High/Low GHG Emission Per Capita to Arrive at the Scaled Indicative Minimum Threshold

The final element that could be incorporated in the IMT would be GHG emissions per capita, which could be related to the average per capita emissions of the 23 contributing countries. This would reward countries with less GHG emission per capita than the average by reducing their IMT contribution to GCF, and it would increase the IMT for countries who are above the average. This approach fits with the Paris objective to reduce GHG emissions and provides an incentive to reduce per capita GHG emissions. The reduction factor, which is used to calculate the GHG per capita adjustment rate averaged over a period of six years, has been set at 25 percent, which causes a moderate impact on the base share. It is proposed that over time the reduction factor should increase and arrive at 75 percent or higher by 2050 in light of the Paris Agreement's ambition to move close to a zero-emissions global economy by 2050.

The formula would be as follows:

1. Determine the adjustment rate for all countries:

i. Assuming reduction factor of 25 percent:

$$\text{ii. } GHG \text{ per capita adjustment rate} = 0.75 + 0.25 \times \frac{\text{country GHG per capita}}{\text{average GHG per capita}}$$

$$\text{Where: country GHG per capita} = \frac{\frac{GHG \text{ emission}_{\text{country,year 1}}}{\text{Population}_{\text{country,year 1}}} + \frac{GHG \text{ emission}_{\text{country,year 2}}}{\text{Population}_{\text{country,year 2}}} + \dots + \frac{GHG \text{ emission}_{\text{country,year 6}}}{\text{Population}_{\text{country,year 6}}}}{6} ;$$

$$\text{average GHG per capita} = \frac{GHG \text{ per capita}_{\text{country 1}} + GHG \text{ per capita}_{\text{country 2}} + \dots}{\text{Total number of countries}} ;$$

2. The countries below the average GHG emission per capita (the “good” performers) will get a reduction by applying the GHG per capita adjustment rate on their IMT (the performance effect).

$$Scaled\ IMT_{Good\ Performers} = Original\ IMT \times GHG\ per\ capita\ adjustment\ rate$$

3. The performance effect of the IMT-reduction for the “good” performers must be compensated by the countries above the average GHG emission per capita (the “bad” performers).

$$Performance\ Effect = 1 - Total\ Scaled\ IMT_{Good\ Performers} + Total\ Original\ IMT_{Bad\ Performers}$$

4. The “bad” performers will face an increase on their contribution using the following formula:

- i. The share of each “bad” performer in absorbing the performance effect (point 3) is determined:

- a. aggregate the IMT scaling factors of the “bad” performers;

$$Aggregated\ IMT\ scaling\ factors_{Bad} = GHG\ per\ capita\ adjustment\ rate_1 + GHG\ per\ capita\ adjustment\ rate_2 + \dots$$

- b. Multiply the share

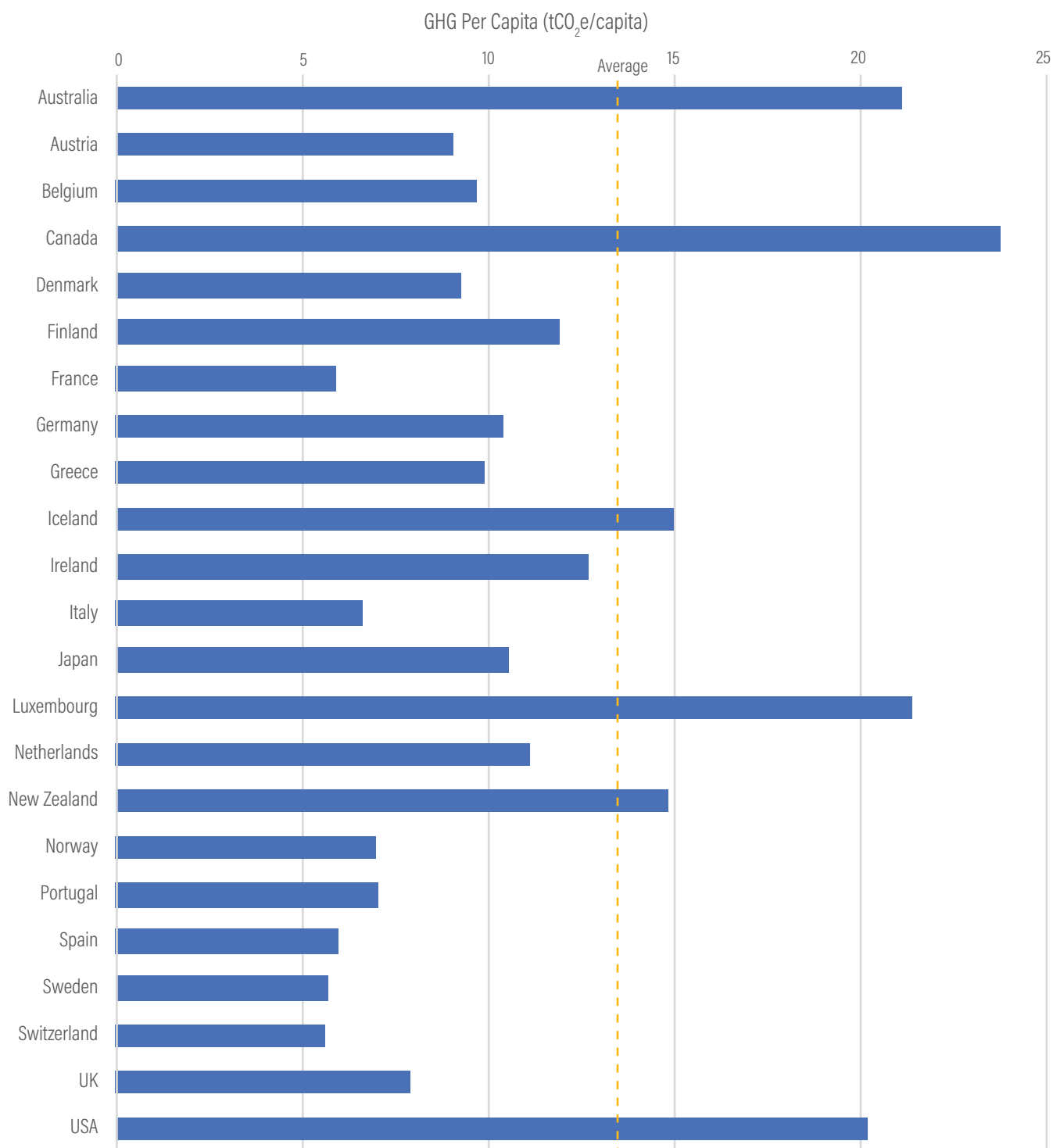
$$IMT\ Penalty\ for\ a\ "bad"\ performer = \frac{GHG\ per\ capita\ adjustment\ rate}{Aggregated\ IMT\ scaling\ factors_{Bad}} \times Performance\ Effect$$

- ii. The adjusted IMT for the “bad” performers is determined by adding to the initial IMT of the “bad” performers the share in the performance effect

$$Scaled\ IMT_{Bad\ Performers} = Original\ IMT_{Bad\ Performers} + IMT\ Penalty\ for\ a\ "bad"\ performer$$

5. Given calculation roundings, total shares may arrive just below or above 100%.

The chart below shows GHG emissions per capita for traditional contributing countries (2014 data) as well as the average (orange line in Figure A1).

**Figure A1 | Countries' Per Capita GHG Emissions (2014)**

Source: PIK 2017.

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## APPENDIX B: LIST OF KEY STAKEHOLDERS INTERVIEWED FOR THIS PAPER

*Title and function of interviewees reflect their position at the time of the interview.*

1. Ahmed, Tarig, Humphrey Fellow, College of Agriculture and Life Sciences, Cornell University
2. Alayza, Natalia, Ministry of Economy and Finance (NDA) (Peru)
3. Båge, Lennart, GCF Co-chair by Developed Countries (Sweden)
4. Bamsey, Howard, GCF Executive Director
5. Bhandari, Preety, Director, Climate Change & Disaster Risk Management Division, Asian Development Bank
6. Black-Layne, Diann, GCF former Board Member (Antigua & Barbuda)
7. Buffinga, Roelof, GCF Board Member (Netherlands)
8. Carpen, Mitch, Head of Risk Management and Compliance, GCF
9. Charpentier, Silvia, GCF former Board Member (Costa Rica)
10. Cheikhrouhou, Hela, former Executive Director, GCF
11. Cissé, Boubou, Minister of Economy and Finance (Mali)
12. Delgado, Raúl, GCF former Board Member (Mexico)
13. Di Leva, Charles, Chief Officer, Environmental and Social Standards, World Bank
14. Drayer, Aaron, Peru Country Representative, Global Green Growth Institute
15. Ehlers, William Ernest, Secretary to the Council, Global Environment Facility
16. El-Arini, Omar, GCF Board Member (Egypt)
17. Elisaia, Ali'ioaiga Feturi, GCF Board Member (Samoa)
18. Fakir, Zaheer, GCF Board Member and former Co-chair by Developing Countries (South Africa)
19. Fuentes, Carolina, Secretary to the Board, GCF
20. Gagua, Nikoloz, Ministry of Finance (Georgia)
21. Ghosal, Rajib, Monitoring and Evaluation Senior Specialist, GCF
22. Harboe, Henrik, GCF former Co-chair by Developed Countries (Norway)
23. Hughes, Kate, GCF Alternate Board Member (United Kingdom)
24. Jarju, Pa Ousman, Director of the Country Programming Division, GCF
25. Jerome, Mark, Head of the Internal Audit Office, GCF
26. Kamali, Abyd, Managing Director, Bank of America Merrill Lynch
27. Kwan, Stephanie, Senior Accredited Entities Specialist, GCF
28. Leclerc, Caroline, GCF former Board member, Assistant Deputy Minister, Global Affairs (Canada)
29. Leys, Douglas, General Counsel, GCF
30. Loddewyckx, Liesbeth, GCF Alternate Board Member (Belgium)
31. Lomponda Isekonyama, Amanda, Head of Human Resources, GCF
32. Lorenzo, Ignacio, GCF Alternate Board Member (Uruguay)
33. Lonsway, Kurt, Vice President, Conservation International
34. Luwabelwa, Mainga, Ministry of National Development Planning (NDA) (Zambia)
35. Mahajan, Rajeev, Senior Project Finance Specialist, Private Sector Facility, GCF
36. Manzanares, Javier, Deputy Executive Director, GCF
37. McDonald, Ewen, GCF former Co-chair by Developed Countries (Australia)
38. Mendoza, Juan Carlos, former Senior Advisor, GCF
39. Mpanu, Tosi, GCF Board Member (Democratic Republic of the Congo)
40. Nakoulima, Ousseynou, former Director of the Country Programming Division, GCF
41. Nomura, Munenari, GCF Alternate Board Member (Japan)
42. O'Donoghue, Gerard, Interim Chief Financial Officer and Director of Support Services, GCF
43. Ollikainen, Mikko, Manager of the Board Secretariat, Adaptation Fund
44. Palominos Prado, Marcela, Ministry of Finance (former NDA), Chile
45. Presern, Carole, Head of the Office of Board Affairs, Global Fund to Fight Aids, Tuberculosis and Malaria
46. Puri, Jyotsna, Head of the Independent Evaluation Unit, GCF
47. Pedersen, Merete Villum, GCF Board Member (Denmark)
48. Quijandría, Gabriel, GCF former Co-chair by Developing Countries (Peru)
49. Ramakrishna, Kilaparti, Head of Strategic Planning, GCF
50. Raman, Meena, Active Observer, Third World Network
51. Rioux, Janie, Agriculture and Food Security Senior Specialist, Division of Mitigation and Adaptation, GCF
52. Rodriguez Osuna, Andrea, Strategic Alliances Manager, Fundación Avina (Mexico)
53. Rodriguez Taylor, Camila, former Environmental Analyst, Unit for Rural Change (UCAR) (Argentina)
54. Rojo, Rodrigo, GCF former Alternate Board Member (Chile)
55. Rousseau, Cyril, GCF Board Member (France)
56. Roth, Lars, GCF Board Member (Sweden)
57. Rudra, Sachindra, Chief Investment Officer, Acumen Fund
58. Sach, Karsten, GCF Board Member (Germany)
59. Sahara, Juichiro, Senior Resource Mobilization Specialist, GCF
60. Sanjaasuren, Oyun, Director of External Affairs, GCF
61. Schalatek, Liane, Active Observer, Heinrich Boll Institute



62. Slingenberg, Yvon, Director, Directorate-General for Climate Action, European Commission
63. Smith, Graham, Director, Sustainable Finance Unit, HSBC
64. Soderini, Ludovica, GCF Alternate Board Member (Italy)
65. Szabo, Sue, GCF Board Member (Canada)
66. Tshering, Karma, GCF Board Member (Bhutan)
67. Vallejo, Juan Pablo, National Planning Department (NAP) (Colombia)
68. Wijnroks, Marijke, Interim Executive Director, Global Fund to Fight Aids, Tuberculosis and Malaria
69. de Witt Wijnen, Rutger, former General Counsel, GCF

## Participants of the Workshop in Bamako, Mali

1. Aïna, Martin Pepin, Ministry of Living Environment and Sustainable Development (NDA) (Benin)
2. Ashie, Ebenezer (NDA) (Ghana)
3. Ashili, Paulus, Ministry of Environment and Tourism (NDA) (Namibia)
4. Assie, Agré Mathieu Richemond, Ministry of Environment and Sustainable Development (NDA) (Côte d'Ivoire)
5. Bunduku-Latha, Paule (NDA) (Gabon)
6. Diouf, Madeleine Sarr, Ministry of Environment and Sustainable Development (NDA) (Senegal)
7. Djamba, Hans Andre, National Coordination of the GCF, Ministry of Environment and Sustainable Development (NDA) (Democratic Republic of the Congo)
8. Hakuzimana, Herman, Rwanda Environment Management Authority (REMA) (NDA) (Rwanda)
9. Jarju, Pa Ousman, Director of the Country Programming Division, GCF
10. Gaspard Kabongo Mukise, Bureau Central de Coordination, Bceco (Democratic Republic of the Congo)
11. Libanda, Benedict, Environmental Investment Fund of Namibia (EIF) (AE) (Namibia)
12. Mbadinga Mbadinga, Jocia Carmella, Caisse des Dépôts et Consignations du Gabon (Gabon)
13. Nakoulima, Ousseynou, former Director of the Country Programming Division, GCF
14. Ndiaye, Dethie Soumaré, Centre de Suivi Écologique (CSE) (AE) (Senegal)
15. Rugamba, Isaac, Rwanda Environment Management Authority (REMA) (NDA) (Rwanda)
16. Tarfa, Yerima Peter, Federal Ministry of Environment (NDA) (Nigeria)
17. Togola, Ibrahim, Mali-Folkecenter Nyetaa (Mali)

## APPENDIX C: INTERVIEW QUESTIONNAIRE

The interviews are confidential, and interviewees will not be quoted. Interviewees are kindly asked for their permission to include their names in a list, which will be an annex to the report. There is no obligation to answer all the questions. The interview will normally focus on a specific set of questions; each chapter has its own specific target group, mentioned at the beginning of each heading.

### General (to all participants)

1. How would you characterize how the GCF is functioning today, now that it has entered a new stage in its evolution?
2. Give 2–3 examples of what in your view are major achievements of the GCF so far, as well as 2–3 of the main challenges you see going forward.
3. What is your view on how the GCF has operationalized country ownership, including through investment plans and readiness support?

### Governance (to: [former] Board Members and Alternates, NGOs, AEs, NDAs)

4. How do you see the role of the secretariat as distinct from the role of the board? How can this relationship be more efficient and effective?
5. The Governing Instrument asks the board to define a procedure for decision-making in the absence of consensus. How would you design such a procedure? What characteristics should it have?
6. In your view, to whom is the board accountable, and for what? What are the accountability mechanisms in place for the board and its members, and are they adequate, in your view?
7. How are board members selected? How can this process be strengthened? Do you know which board member represents you? Through what channels and how often do you interact with your board member?

### Financial resources (to: [former] Board Members and Alternates, NGOs, AEs, NDAs)

8. The major share of GCF's initial capitalization was made available by contributing countries (Annex 1 countries). Several developing countries (non Annex 1 countries) also made financial contributions to the GCF.
  - A. Should developing countries be encouraged to contribute to the replenishment of GCF?
  - B. The GI authorizes the GCF to receive financial inputs from a variety of other sources, public and private, including alternative sources. How should contributions from non-state actors be managed? What changes, if any, would that entail for GCF?
9. What, in your view, would be the most appropriate way to determine the level of contributions by members providing contributions?
10. What, in your view, are the implications for the replenishment of the United States potentially not pledging?

## Administrative capacity (to: GCF staff)

11. Dalberg Report (p. 17): "Many GCF staff feel overburdened with their work, as staff turnover rates have been high and recruitment has been challenging..... Many staff note the weak institutional culture resulting from the high turnover rates, particularly at the senior level."

Do you agree or disagree with the statement? Please explain.

12. Dalberg report (p. 18): "...the secretariat started operating without clear procedures and developed interim policies and procedures as a result. Several policies are still being developed or awaiting board approval, which slows down the decision-making process."

Do you agree or disagree that there is still unclarity regarding GCF's policies and procedures? Please explain.

13. Dalberg report (p. 18): "Some staff do not feel empowered to make decisions and are hesitant to commit to timelines, recognizing that slow decision-making processes elsewhere in the organization may cause delays to their own timelines.... It is worth noting that there is an opportunity for the board to be more encouraging of the secretariat to make its own decisions regarding the day-to-day operations of the Fund."

Do you agree or disagree with the statement? How can staff be made to feel more empowered? How can the board be more encouraging of the secretariat to make its own decisions?

14. Dalberg report (p. 24): "The long-term suggestions focus on removing structural barriers to collaboration and creating a process-based structure, whereby separate departments are responsible for project origination, development and management."

What are, in your view, the structural barriers to collaboration? How can they be removed?

15. Dalberg report (pp. 32, 36): "The Secretariat should consider extending its in-country network to ensure that strategic country programming and entity engagement play a core role in project origination..... In the long-term, established regional capacity could be achieved by (i) establishing strategic partnerships with non-AEs, and/or (ii) establishing regional hubs." And page 36: "a standardized process for determining which activities are conducted in-house versus outsourced should be adopted."

What is your view on establishing strategic partnerships with non-AEs, and would it be helpful to have (regional) hubs? What is your view regarding outsourcing of specific functions? Please explain.

## Final observations (to: All)

16. Anything to add as important element for the GCF replenishment?

## ABBREVIATIONS

<b>AEs</b>	accredited entities
<b>AF</b>	Adaptation Fund
<b>COP</b>	Conference of the Parties (to the UNFCCC)
<b>CSO</b>	civil society organization
<b>GCF</b>	Green Climate Fund
<b>GEF</b>	Global Environment Facility
<b>GHG</b>	greenhouse gas
<b>GI</b>	governing instrument (GCF)
<b>GNI</b>	gross national income
<b>GRULAC</b>	Latin American and the Caribbean group
<b>IBRD</b>	International Bank for Reconstruction and Development (WBG)
<b>IFAD</b>	International Fund for Agricultural Development
<b>ILO</b>	International Labour Organization
<b>IMF</b>	International Monetary Fund
<b>IMT</b>	indicative minimum threshold
<b>IPCC</b>	Intergovernmental Panel on Climate Change
<b>IRM</b>	initial resource mobilization
<b>LDCs</b>	least developed countries
<b>LULUCF</b>	land use, land-use change, and forestry
<b>MDB</b>	multilateral development bank
<b>NAPs</b>	national adaptation plans
<b>NDA</b>	national designated authority (GCF)
<b>NDCs</b>	nationally determined contributions
<b>NGO</b>	nongovernmental organization
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PIK</b>	Potsdam Institute for Climate Impact Research
<b>SIDS</b>	small island developing states
<b>UNDP</b>	UN Development Programme
<b>UNEP</b>	UN Environment Programme
<b>UNFCCC</b>	UN Framework Convention on Climate Change
<b>WBG</b>	World Bank Group

## ENDNOTES

1. All the mentions of the Governing Instrument refer to the Governing Instrument for the Green Climate Fund (GCF 2011).
2. This was significantly above the \$8.3 billion pledged to the Climate Investment Funds (CIFs), which were a precursor to the GCF. For pledges under the IRM, see <https://www.greenclimate.fund/how-we-work/resource-mobilization>.
3. The exchange rate fluctuation has caused a loss of more than \$1.1 billion for GCF in the past. Moreover, this amount can be adjusted for inflation.
4. The two notable exceptions are the location of the GCF headquarters and the selection of the Executive Directors.
5. "There is no established definition of consensus in the FCCC process. Consensus has come to be generally understood, through the practice and codified rules of other multilateral processes, as the absence of express opposition" (Rajamani 2011).
6. "Unanimity implies granting each member a right to veto which can paralyze the decision-making process" (Schermers and Blokker 2011).
7. Decisions in the GEF Council are taken by consensus where possible. A formal vote by the Council shall be taken by a double weighted majority; that is, an affirmative vote representing both a 60 percent majority of the total number of participants and a 60 percent majority of the total contributions (GEF 2015, article 25 [c] [i]).
8. "There is not a unique definition of concessionality but this term has traditionally been used in the context of lending to governments, particularly as part of the definition of external debt accounting. The International Monetary Fund (IMF) defines concessional lending as 'loans that are extended on terms substantially more generous than market loans. The concessionality is achieved either through interest rates below those available on the market or by grace periods, or a combination of these. Concessional loans typically have long grace periods'" (GCF 2018e).
9. This document was prepared taking into consideration the document GCF/B.08/44 (Limited Distribution) Co-chairs Non-paper: Voting Procedures.
10. Equality means the "condition of possessing the same rights, privileges, and immunities, and being liable to the same duties. Equality is equity" (Black's Law Dictionary 2018).
11. The proposed approach did not meet with the wide support of the board and, therefore, a board debate was deferred (GCF 2015).
12. Formerly known as the BoardSource Nonprofit Governance Index. Basis of the report is responses of leaders that represent a broad cross-section of the nonprofit sector, such as public charities, foundations, and other types of nonprofits, including organizations with different budget sizes, geographic service regions, and mission areas (BoardSource 2017).
13. "New York Stock Exchange Rule 303A.091 requires the board of directors of all companies listed on the NYSE to conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively" (Baker and McGovern 2014).
14. In September 2015, the board of the Global Fund to Fight AIDS, Tuberculosis and Malaria approved the "Governance Performance Assessment Framework" (The Global Fund 2015).
15. All the mentions to the Rules of Procedure refer to the Rules of Procedure of the board of the Green Climate Fund (GCF 2013).
16. For each new term, the secretariat is notified of the selection of the board member that represents the developed or developing country Party or group of these as determined by the developed countries constituency or by the respective regional group for developing countries (GCF 2013, paragraph 12).

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We start with data. We conduct independent research and draw on the latest technology to develop new insights and recommendations. Our rigorous analysis identifies risks, unveils opportunities, and informs smart strategies. We focus our efforts on influential and emerging economies where the future of sustainability will be determined.

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